bluestone RESOURCES

BLUESTONE RESOURCES INC.

ANNUAL MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 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 year ended December 31, 2021. The MD&A was prepared as of March 15, 2022 and should be read with the consolidated financial statements and related notes for the year ended December 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 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 feasibility study on Cerro Blanco announced on February 22, 2022 (the "Feasibility Study"); statements about the Company's plans for its mineral properties; Bluestone's business strategy, plans and outlook; the future financial or operating performance of Bluestone; capital expenditures, corporate general and administration expenses and exploration and evaluation expenses; expected working capital requirements; proposed production timelines and rates; funding availability; 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 financing on terms acceptable to the Company.

Forward-Looking Statements (cont'd)

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

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

Qualified Persons

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

Overview

Bluestone is a Canadian-based precious metals exploration and development company focused on opportunities in Guatemala. The Company's flagship asset is Cerro Blanco, a near surface mine development project located in Southern Guatemala in the department of Jutiapa. The Company's head and registered office is located at 2000 - 885 West Georgia Street, Vancouver, BC, V6C 3E8. The Company trades under the symbol "BSR" on the TSX Venture Exchange ("TSXV") and "BBSRF" on the OTCQB.

Highlights for the Three Months and Year Ended December 31, 2021

- Submitted the permit amendment application during the three months ended December 31, 2021, to capture the change in development to an open pit from the existing approved underground permit.

- During the year ended December 31, 2021, the Company secured additional land for the permanent infrastructure and mine development of Cerro Blanco.

- Advanced the Cerro Blanco Feasibility Study, for which the results were released on February 22, 2022.

- Initiated job skills training and adult education programs with the local communities in preparation for early works and construction of Cerro Blanco in the fourth quarter of 2022.

- Re-branded the Guatemalan subsidiary and re-aligned Company values to reflect the Company's strategic decision to capitalize on Cerro Blanco's near-surface, high-grade mineralization through an open pit development scenario.

- Facilitated the vaccination of 100% of our mine site workforce and facilitated the vaccination of 3,161 community members by providing transportation and facilities to administer doses.

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., 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 net present value ("$NPV_{5\%}$") of the project to $1.0 billion after-tax. Cerro Blanco is now an asset capable of producing over 300,000 ounces of gold 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

On February 22, 2022, the Company announced the results of the Feasibility Study. The following Feasibility Study base case highlights were completed at a gold price of $1,600/oz and a silver price of $20/oz:

- Life of mine production of approximately 2.6 million ounces of gold and 10.6 million ounces of silver over an initial 14-year mine life.
- Peak production of 347,000 ounces and average annual production of 241,000 ounces gold over the first ten years of operation.
- Average life of mine all-in sustaining cost ("AISC"; see "Non-GAAP Measures" section) of $629/oz (net of credits).
- Average annual free cash flow of $228 million per year during the first 10 years and life of mine total free cash flow of $2.350 billion.
- $NPV_{5\%}$ of $1.047 billion after-tax.
- After-tax internal rate of return ("IRR") of 30%.
- Initial capital of $572 million with an after-tax payback period of 2.2 years.

Project Updates (cont'd)

- Proven & Probable Mineral Reserves of 2.8 million ounces of gold and 12.6 million ounces of silver (53.9 million tonnes at 1.6 g/t Au and 7.3 g/t Ag).
- At spot gold and silver prices ($1,897/oz & $23.94/oz), the $NPV_{5\%}$ increases to $1.563 billion and the IRR to 40% with a payback of 1.7 years.

The technical report summarizing the results of the Feasibility Study is being prepared in accordance with NI 43-101 and will be filed under the Company's profile on SEDAR within 45 days of the February 22, 2022 press release of the Feasibility Study.

The mine and mill plans were updated to incorporate the recent metallurgical testwork results. Some material with low recoveries (< 50%) was identified by the additional variability testwork and removed from the mine plan. Additionally, the mine plan was updated for the revised mill ramp up schedule which has been stretched from two to five months to account for the filter plant commissioning.

The bridge construction execution plan has been confirmed, and a bridge supplier/contractor has been chosen. Construction of this key piece of infrastructure is set to initiate in the first half of 2022 following the receipt of necessary permits (see below "Permit amendment application" section).

Permit amendment application

The Company completed the permit amendment application for the change in mining method, which was submitted to the local authorities in November 2021, for review. The amendment application is a comprehensive document that covers all aspects of Cerro Blanco in detail, building on the historical data and the previously approved 2007 Environmental Impact Assessment, to incorporate the open pit mining method. While aspects of Cerro Blanco's layout have increased in size, fundamental design characteristics remain unchanged, including the processing plant, filtered "dry stack" tailings, water management infrastructure and other facilities.

Land acquisition

During the year ended December 31, 2021, the Company secured additional land for the permanent infrastructure and mine development of Cerro Blanco.

Local skills development training and capacity building

In Q2 2021, the Company announced a partnership with a nationally accredited Guatemalan institution and recognized leader in job skills training. The Company has initiated training programs for over 500 individuals from the local communities. Courses range on average from 12 to 18 months in duration and will help prepare for early works which the Company will be looking to initiate late in 2022. The first masonry course is underway, and participants are expected to graduate in Q1 2022. Additional programs will kick off in Q1 2022 with a focus on carpentry, mechanics, technicians and welding.

In addition to job skills training, the Company has initiated an Adult Education Program with the national government and local educational institutions. The program is 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 increasing literacy and education levels to meet entry requirements for job skills training programs. The first class of 50 participants from this Adult Education Program graduated in Q4 2021 from various programs.

Project Updates (cont'd)

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 year ended December 31, 2021, the Company facilitated the vaccination of 100% of our mine site workforce and facilitated the vaccination of 3,161 community members by providing transportation and facilities to administer doses.

During the year ended December 31, 2021, COVID-19 did not have a significant impact on the progress of activities described in this "Project Updates" section. For the year ended December 31, 2021, COVID-19 had no significant financial impacts on the Company.

Mita Geothermal Project ("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 kilometers 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%. Additional work included geological and geophysical surveys to further refine injection well locations alongside the proven production wells.

It is currently forecasted that Guatemala's energy matrix will transition to a more renewable mix as Guatemala has stated 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 December 31, 2021 Compared to the Three Months Ended December 31, 2020

The Company's net loss for the three months ended December 31, 2021, totaled $7,269,408 or $0.05 per share as compared to a net loss of $9,560,183 or $0.07 per share for the three months ended December 31, 2020. Significant expenditures and variances are as follows:

	Three Months Ended December 31, 2021	Three Months Ended December 31, 2020	(Increase) Decrease in Net Loss
Exploration and evaluation expenses [1]	**$5,739,353**	$6,373,061	$633,708
General and administration			
Advertising and promotion	**77,567**	68,401	(9,166)
Corporate listing and filing fees	**7,265**	3,742	(3,523)
Office and general	**406,703**	332,498	(74,205)
Professional fees	**179,516**	202,203	22,687
Salaries and wages	**705,210**	602,563	(102,647)
Share-based compensation	**187,805**	210,685	22,880
Total expenses	**(7,303,419)**	(7,793,153)	489,734
Interest income	**60,403**	137,083	(76,680)
Finance expenses	**(6,673)**	(162,740)	156,067
Accretion expense	**(124,643)**	(141,934)	17,291
Other income (loss)	**11,098**	(257,858)	268,956
Foreign exchange gain (loss)	**28,387**	(1,576,039)	1,604,426
Loss before income tax	**(7,334,847)**	(9,794,641)	2,459,794
Income tax recovery	**65,439**	234,458	(169,019)
Net loss	**($7,269,408)**	($9,560,183)	$2,290,775

(1) Exploration and evaluation expenses for the quarters ending December 31, 2021 and 2020, were for the following:

	Three Months Ended December 31, 2021	Three Months Ended December 31, 2020
Cerro Blanco general and exploration expenditures	**$3,397,194**	$4,106,341
Cerro Blanco Feasibility Study, preliminary economic assessment and pre-development expenditures	**2,129,576**	1,921,776
Corporate social responsibility and community relations	**277,988**	322,266
Mita Geothermal evaluation	**85,809**	19,319
Depreciation	**74,142**	73,383
Change in rehabilitation provision estimates	**(225,356)**	(70,024)
	$5,739,353	$6,373,061

Summary of Quarterly Results

The following table summarizes selected financial data reported by the Company for the three months ended December 31, 2021, and the previous seven quarters. The Company's condensed interim consolidated financial statements are reported under IFRS applicable to interim financial reporting.

	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Current assets	**$18,962,861**	$32,547,978	$42,179,739	$49,508,306	$50,498,497	$56,929,211	$61,721,337	$6,212,614
Property, plant and equipment	**22,221,840**	14,201,894	9,046,892	7,355,948	4,645,876	5,016,920	5,092,889	5,106,373
Exploration and evaluation asset	**30,126,433**	30,126,433	30,126,433	30,126,433	30,126,433	30,126,433	30,126,433	30,126,433
Total assets	**73,080,302**	78,642,612	83,116,580	88,757,967	87,019,390	93,816,858	98,697,779	43,204,825
Current liabilities	**4,839,224**	4,316,707	2,732,570	2,407,236	2,980,812	3,035,421	2,575,705	12,050,213
Working capital	**14,123,637**	28,231,271	39,447,169	47,101,070	47,517,685	53,893,790	59,145,632	(5,837,599)
Net loss	**(7,269,408)**	(7,129,181)	(7,537,260)	(7,279,660)	(9,560,183)	(8,639,298)	(5,582,153)	(6,901,328)
Basic and diluted loss per share	**(0.05)**	(0.05)	(0.05)	(0.05)	(0.07)	(0.06)	(0.05)	(0.08)
Weighted avg. shares	**150,188,918**	150,158,483	150,144,563	144,961,360	143,538,463	143,231,017	120,661,470	82,412,067

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.

Results of Operations for the Year Ended December 31, 2021 Compared to the Year Ended December 31, 2020

The Company's net loss for the year ended December 31, 2021, totaled $29,215,509 or $0.20 per share as compared to a net loss of $30,682,962 or $0.25 per share for the year ended December 31, 2020. Significant expenditures and variances are as follows:

	Year Ended December 31, 2021	Year Ended December 31, 2020	(Increase) Decrease in Net Loss
Exploration and evaluation expenses [(1)]	**$22,504,852**	$20,077,640	($2,427,212)
General and administration			
Advertising and promotion	**419,049**	390,977	(28,072)
Corporate listing and filing fees	**101,222**	55,207	(46,015)
Office and general [(2)]	**1,327,942**	873,472	(454,470)
Professional fees [(3)]	**402,597**	1,607,436	1,204,839
Salaries and wages [(4)]	**2,941,269**	3,344,835	403,566
Share-based compensation	**1,553,322**	1,186,011	(367,311)
Total expenses	**(29,250,253)**	(27,535,578)	(1,714,675)
Interest income	**364,935**	447,486	(82,551)
Finance expenses [(5)]	**(76,823)**	(637,632)	560,809
Accretion expense	**(440,420)**	(553,683)	113,263
Other loss	**(2,364)**	(214,446)	212,082
Foreign exchange loss	**(196,756)**	(1,934,321)	1,737,565
Loss before income tax	**(29,601,681)**	(30,428,174)	826,493
Income tax recovery (expense) [(6)]	**386,172**	(254,788)	640,960
Net loss	**($29,215,509)**	($30,682,962)	$1,467,453

(1) Exploration and evaluation expenses for the fiscal years ending December 31, 2021 and 2020, were for the following:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Cerro Blanco general and exploration expenditures	**$13,685,231**	$11,736,798
Cerro Blanco Feasibility Study, preliminary economic assessment and pre-development expenditures	**7,028,732**	7,177,566
Corporate social responsibility and community relations	**1,629,323**	875,714
Mita Geothermal evaluation	**107,155**	19,319
Depreciation	**279,767**	338,267
Change in rehabilitation provision estimates	**(225,356)**	(70,024)
	$22,504,852	$20,077,640

(2) Office and general expenses during the year ended December 31, 2021, were higher than the year ended December 31, 2020, mainly due to a change in offices during 2020. The previous office lease was accounted for as a right-of-use asset, while the new office lease is expensed as incurred.

(3) General and administration professional fees during the year ended December 31, 2021, were lower than the year ended December 31, 2020, mainly due to project financing activities in 2020.

(4) General and administration salaries and wages during the year ended December 31, 2021, were lower than the year ended December 31, 2020, mainly due to reduced headcount in 2021.

Results of Operations for the Year Ended December 31, 2021 Compared to the Year Ended December 31, 2020 (cont'd)

(5) Finance expenses during the year ended December 31, 2021, were lower than the year ended December 31, 2020, mainly due to fees and transaction costs relating to a credit facility in 2020. This credit facility expired on January 27, 2021.

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

Summary of Annual Results

The following table summarizes selected financial data reported by the Company for the year ended December 31, 2021, and the previous two fiscal years.

	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019
Total assets	**$73,080,302**	$87,019,390	$40,599,490
Non-current financial liabilities	**2,792,496**	—	—
Net loss	**(29,215,509)**	(30,682,962)	(22,296,234)
Basic and diluted loss per share	**(0.20)**	(0.25)	(0.29)

Annual fluctuations are due to an equity financing completed on May 1, 2020, which resulted in an increase to total assets. Refer to "*Results of Operations for the Year Ended December 31, 2021 Compared to the Year Ended December 31, 2020*" in the MD&A for details of the change in net loss from the year ended December 31, 2020 to the year ended December 31, 2021. Selected annual financial information in the above table as per the audited consolidated financial statements prepared in accordance with IFRS.

Liquidity and Capital Resources

Cash decreased by $31,048,948 during the year ended December 31, 2021 from $49,334,074 as at December 31, 2020 to $18,285,126 as at December 31, 2021. Cash utilized in operating activities during the year ended December 31, 2021 was $26,996,796 (year ended December 31, 2020 - $26,339,038), mostly for exploration and evaluation expenses. Cash used in investing activities during the year ended December 31, 2021 was $13,081,820 (year ended December 31, 2020 - $15,954 generated), mainly from purchases of property, plant and equipment. During the year ended December 31, 2021, the Company generated cash from financing activities of $8,798,112 (year ended December 31, 2020 - $68,804,424) mainly from the exercise of warrants and stock options.

As at December 31, 2021, share capital was $178,674,062 and was comprised of 150,358,483 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 year ended December 31, 2021 was the result of the exercising of stock options and warrants. Reserves, which increased due to the vesting of stock options, were $11,093,459 (December 31, 2020 - $10,702,958). As a result of the net loss for the year ended December 31, 2021, the deficit at December 31, 2021 increased to $145,745,824 from $116,530,315 at December 31, 2020. Accordingly, shareholders' equity on December 31, 2021 was $55,282,092 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 Feasibility Study and the experience and caliber of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress and results of drilling activities. Management believes it will be able to raise equity capital and/or debt as required but recognizes there will be risks involved that may be beyond its control. Failure to obtain such additional financing could result in delay or indefinite postponement of further evaluation and development of the Company's principal property.

As at December 31, 2021, the Company had working capital of $14,123,637. Subsequent to December 31, 2021, the Company entered into a loan (see "*March 2022 Loan*"). The working capital and loan are expected to provide sufficient funding to meet the Company's commitments and foreseeable corporate needs, including expenditures required to maintain properties and agreements in good standing.

<u>Commitments</u>

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

	Payments due by period (as at December 31, 2021)		
	Less than one year	**1 - 2 years**	**After 2 years**
Trade and other payables	**$2,950,906**	**$—**	**$—**
Property, plant and equipment	**1,866,874**	**2,792,496**	**—**
Total contractual obligations	**4,817,780**	**2,792,496**	**—**
Rehabilitation provisions	**21,444**	**15,400**	**10,257,491**
	$4,839,224	**$2,807,896**	**$10,257,491**

Liquidity and Capital Resources (cont'd)

Prospectus supplement - Use of proceeds

In the Company's prospectus supplement dated April 27, 2020, the Company provided a listing of the expected use of proceeds in connection with the prospectus offering. The following provides a comparison of the expected use of proceeds to the actual use of proceeds as of December 31, 2021:

Use of Proceeds to December 31, 2021	Proposed Use of Proceeds Amounts	Actual Use of Proceeds Amounts	Difference [1]
Repayment of loans from the credit facility	$10,015,000	$10,036,465	($21,465)
Cerro Blanco basic engineering, front-end loading and optimization	7,059,386	11,247,212	(4,187,826)
Cerro Blanco detailed engineering and early construction	8,567,456	—	8,567,456
Cerro Blanco general costs, including dewatering, water treatment and community relations	14,856,168	19,521,766	(4,665,598)
Infill resource drilling and assaying	2,400,000	3,547,349	(1,147,349)
Fees relating to project debt financing	4,000,000	1,349,846	2,650,154
Working capital purposes and general & administrative expenditures	7,633,218	8,828,590	(1,195,372)
	$54,531,228	$54,531,228	$—

(1) Differences noted did not have a material impact on the Company's ability to achieve its business objectives and milestones as disclosed in the Company's prospectus offering dated April 27, 2020.

March 2022 Loan

Subsequent to the reporting period, the Company established a $30,000,000 loan (the "March 2022 Loan") in favour of the Company with Zebra Holdings and Investments S.à.r.l and Lorito Holdings S.à.r.l (the "Lender"). In support of the March 2022 Loan, the Company has entered into an unsecured debenture (the “Debenture”) with the Lender in the principal amount of $30,000,000 (the “Principal Amount”). The Debenture will provide for the drawdown of funds by the Company in tranches of not less than $1,000,000. The Lender is a related party of the Company as they are significant shareholders of the Company.

In consideration for the March 2022 Loan, the Company has issued 150,000 common shares of the Company to the Lender upon execution of the Debenture, and will issue an additional 4,000 common shares per month (pro-rated for partial months) for each $1,000,000 of the Principal Amount outstanding under the Debenture from time to time up to December 31, 2022 (the “Maturity Date”), the number of such common shares to be calculated as of the last day of each month up to the Maturity Date.

Risks and Uncertainties

Operations in Guatemala

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

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

Development projects are subject to the completion of successful feasibility studies and environmental assessments, issuance of necessary governmental permits and availability of adequate financing. The economic feasibility of development projects is based on many factors such as: estimation of mineral reserves, anticipated metallurgical recoveries, environmental considerations and permitting and anticipated capital and operating costs of these projects. Development projects are uncertain, and it is possible that actual capital and operating costs and economic returns will differ significantly from those estimated for a project prior to production.

The Company cannot be certain that it will successfully develop Cerro Blanco or Mita Geothermal. Any failure to successfully develop Cerro Blanco or Mita Geothermal could have a material adverse effect on the Company's business and results of operations.

Global Epidemics or Pandemics or Other Health Crises

The Company's business, operations, and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises. In addition, the current outbreak of COVID-19 and any future emergence and spread of similar pathogens could have a material adverse effect on global economic conditions which may adversely impact the Company's business, exploration, development, and operations of the Company's suppliers, contractors, and service providers. The spread of epidemics or pandemics or other health crises to areas where Bluestone operates may have a significant adverse impact on the Company's workforce and the Company's ability to continue exploration and development. Moreover, the spread of epidemics or pandemics or other health crises globally could also have a material adverse effect on the regional economies in which Bluestone operates, could continue to negatively impact stock markets, including the trading price of the Company's common shares, could adversely impact the Company's ability to raise capital, could cause continued interest rate volatility and movements that could make obtaining financing more challenging or more expensive and could result in any operations affected by coronavirus becoming subject to quarantine. Any of these developments, and others, could have a material adverse effect on the Company's business and results of operations.

Risks and Uncertainties (cont'd)

Licenses and Title to Assets

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

In order to maintain the licenses for Cerro Blanco and Mita Geothermal in good standing, the Company must comply with the terms of the licenses, which include achieving certain development milestones for the projects. The Company believes that there are currently no expiry proceedings regarding the Cerro Blanco license; however, there can be no assurance that the GDM will not commence expiry proceedings in the future. No expiry proceedings affecting Mita Geothermal have previously been commenced; however, there can be no assurance that proceedings will not be commenced in the future for failure to meet the requirements in the exploitation license. In the event that cancellation proceedings are commenced, the Company believes that it will have a reasonable opportunity to cure any default or deficiency.

Maintaining and Obtaining Licenses and Permits

In the ordinary course of business, the Company will be required to maintain and obtain governmental licenses or permits for the development, construction and commencement of commercial production at Cerro Blanco and Mita Geothermal and other potential projects. Maintaining and obtaining the necessary governmental licenses or permits is a complex and time-consuming process involving numerous jurisdictions and often involving public comment periods and costly undertakings on the part of the Company. The duration and success of the Company's efforts to maintain and obtain licenses or permits are contingent upon many variables not within the Company's control, including local politics, legal challenges and the interpretation of applicable requirements implemented by the licensing or permitting process which could prevent or delay the development or impede the operation of a mine, which could adversely impact the Company's operations and profitability. Potential delays in approval of license or permit amendments and/or new licenses or permits could result in increased duration of assumed project development schedule. The surface mining operation outlined in the Feasibility Study will require a permit amendment. There is no guarantee that any required license or permit amendments and/or required new licenses or permits will be obtained.

Environmental Hazards

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

Risks and Uncertainties (cont'd)

Governmental Laws and Regulations

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

Community Action

In recent years, certain communities of both indigenous people and others, as well as non-governmental organizations ("NGOs"), in Guatemala have been vocal and negative with respect to mining activities in Guatemala and Cerro Blanco in particular. These communities and NGOs have taken such actions as protests, road closures, work stoppages and initiating lawsuits for damages. The proposed development of Cerro Blanco has also triggered opposition in El Salvador on the belief that Cerro Blanco poses threats to Lake Guija and the rivers which are located in the border region of Guatemala and El Salvador. These actions relate not only to current activities but often in respect to decades-old mining activities by prior owners of mining properties. Such actions by communities and NGOs may have a material adverse effect on Bluestone's operations at Cerro Blanco and Mita Geothermal and on Bluestone's financial position, cash flow and results of operations.

Risks and Uncertainties (cont'd)

Uncertainty of Development Projects

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

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

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

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

Risks and Uncertainties (cont'd)

Estimates of Mineral Reserves and Resources

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

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

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

Anti-corruption Laws

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

Risks and Uncertainties (cont'd)

Tax Risks

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

Reliance on Third Parties and Risk Associated with Foreign Subsidiaries

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

Property Commitments

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

Limited Operational History

The Company has a limited history of operations and there is no reasonable prospect for the generation of material revenue by the Company at least until such time as commercial production of gold commences at Cerro Blanco. The Company is subject to many risks, including under-capitalization, cash shortages limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on securityholders' investment and the likelihood of success must be considered in light of its early stage of operations. Additionally, the Company has no intention of paying any dividends in the near future. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing, if able to be obtained, can be arranged on terms acceptable to the Company.

Substantial Capital Requirements

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

Risks and Uncertainties (cont'd)

Acquisition Risk

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

Future Sales or Issuances of Common Shares

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

Competition

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

Dependence on Key Personnel

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

Risks and Uncertainties (cont'd)

Changes in Climate Conditions

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

Control Person of the Company

Certain shareholders exercise control or direction over an aggregate of approximately 27% of the issued and outstanding common shares. As such, these shareholders may have the ability to substantially affect the outcome of matters submitted to the shareholders of the Company for approval. The Company's interests and those of the major shareholders may at times conflict, and this conflict might be resolved against the Company's interests. Sales of shares by major shareholders can have a negative effect on the Company's share price.

Public Company Requirements

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

Marketability of Natural Resources

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

Risks and Uncertainties (cont'd)

Conflicts of Interest

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

Uninsurable Risks

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

Infrastructure

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

Price Volatility of Publicly Traded Securities

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

Risk of Fines and Penalties

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

Risks and Uncertainties (cont'd)

Information Technology Security Risks

Bluestone maintains information technology infrastructure, applications and communications networks to support its business activities. These systems could be subject to security breaches resulting in theft, unauthorized disclosure of confidential information or corruption of information, including information relating to acquisitions and divestments, strategic decision-making, investment market communications or commercially sensitive information relating to major contracts. Security breaches could also result in misappropriation of funds or disruptions to business operations.

Litigation Risk

The Company is subject to litigation risks. The mining industry is subject to legal risks and claims. Such legal claims can relate to various matters including, without limitations, mining laws, environmental laws, labour laws and anti-corruption and anti-bribery laws in the jurisdictions in which the Company operates. Defense and settlement costs associated with legal claims can be substantial, even with respect to claims that are frivolous or have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding to which the Company is or may become subject could have a material adverse impact on its financial performance, cash flow and results of operations.

Share Price Risk

The market price of a publicly traded stock is affected by many variables not directly related to the success of the Company, including the market for all resource sector shares, the breadth of the public market for the stock, and the attractiveness of alternative investments. The effect of these and other factors on the market price of the common shares of the Company on the TSXV suggests that the share price will be volatile.

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 options are outstanding as at March 15, 2022:

	Number of Shares	**Exercise Price C$**	**Remaining life (years)**
Issued and Outstanding Common Shares	150,953,283		
Stock options	7,088,200	1.15 - 1.89	1.08 - 4.01
Fully diluted at March 15, 2022	**158,041,483**		

Off Balance Sheet Arrangements

The Company does not utilize off balance sheet arrangements.

Transactions with Related Parties

Key management compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consist of the following executive and non-executive positions of the Company for the years ended December 31, 2021 and 2020: Members of the Board of Directors; former Executive Chairman; President; Chief Executive Officer; Chief Financial Officer; former Vice President, Project Development; and Vice President, Exploration. The remuneration of key management personnel included in the consolidated statements of loss and comprehensive loss is as follows:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Salaries and benefits	**$1,552,383**	$1,950,661
Share-based compensation	**1,319,124**	995,188
	$2,871,507	$2,945,849

Accrued compensation due to key management as at December 31, 2021 was $553,136 (December 31, 2020 - $637,763). The balances payable were in connection with the payment of short-term incentives related to the years ended December 31, 2021 and 2020.

Related party expenses

During the year ended December 31, 2021, the Company incurred $345,055 in office facilities and services expenses pursuant to an agreement, which is renewable on an annual basis, 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 13 and 14, respectively, of the Company's audited consolidated financial statements for the year ended December 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(q), of the Company's audited consolidated financial statements for the year ended December 31, 2021.

New Standards and Future Accounting Changes

A description of new IFRS standards and future accounting changes of the Company can be found in note 2(r) of the Company's audited consolidated financial statements for the year ended December 31, 2021.

Non-GAAP Measures

The Company has included certain non-Generally Accepted Accounting Principles ("GAAP") measures in this MD&A that are not defined under IFRS, including AISC per payable ounce of gold sold and per tonne processed. Non-GAAP measures do not have any standardized meaning prescribed under IFRS and, therefore, they may not be comparable to similar measures employed by other companies. The Company believes that these measures, in addition to measures prepared in accordance with GAAP, provide investors an improved ability to evaluate the underlying performance of the Company and to compare it to information reported by other companies. The non-GAAP measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. These measures do not have any standardized meaning prescribed under GAAP, and therefore may not be comparable to similar measures presented by other issuers.

<u>All-in sustaining costs</u>

The Company believes that AISC more fully defines the total costs associated with producing gold. The Company calculates AISC as the sum of refining costs, third party royalties, site operating costs, sustaining capital costs, and closure capital costs all divided by the gold ounces sold to arrive at a per ounce amount. Other companies may calculate this measure differently as a result of differences in underlying principles and policies applied. Differences may also arise due to a different definition of sustaining versus non-sustaining capital.

<u>AISC reconciliation</u>

AISC are calculated based on the definitions published by the World Gold Council ("WGC") (a market development organization for the gold industry comprised of and funded by 18 gold mining companies from around the world). The WGC is not a regulatory organization.

Disclosure of Internal Controls

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence that: (i) the audited consolidated financial statements for the year ended December 31, 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 audited consolidated financial statements for the year ended December 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 March 15, 2022. A copy of this MD&A will be provided to anyone who requests it.

Additional Information

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

Bluestone Resources Inc.
2000 - 885 West Georgia Street
Vancouver, BC, Canada
V6C 3E8
www.bluestoneresources.ca
Email: info@bluestoneresources.ca

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2021 and 2020

Independent auditor's report

To the Shareholders of Bluestone Resources Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Bluestone Resources Inc. and its subsidiaries (together, the Company) as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 15, 2022

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

	Notes	December 31, 2021	December 31, 2020
Current assets			
Cash and cash equivalents		**$18,285,126**	$49,334,074
Receivables		**87,859**	373,537
Equity securities		**247,636**	297,730
Prepaid expenses and other current assets		**253,032**	412,149
Inventory		**89,208**	81,007
		18,962,861	50,498,497
Non-current assets			
Restricted cash	3	**1,769,168**	1,748,584
Property, plant and equipment	4	**22,221,840**	4,645,876
Exploration and evaluation asset	5	**30,126,433**	30,126,433
Total assets		**$73,080,302**	$87,019,390
Current liabilities			
Trade and other payables	6	**$4,839,224**	$2,980,812
		4,839,224	2,980,812
Non-current liabilities			
Other liabilities	6	**2,792,496**	—
Rehabilitation provisions	8	**8,630,047**	8,436,427
Deferred income tax liabilities	9	**1,536,443**	1,947,178
Total liabilities		**17,798,210**	13,364,417
Shareholders' equity			
Share capital	10	**178,674,062**	168,677,315
Reserves		**11,093,459**	10,702,958
Accumulated other comprehensive income		**11,260,395**	10,805,015
Deficit		**(145,745,824)**	(116,530,315)
Total shareholders' equity		**55,282,092**	73,654,973
Total liabilities and shareholders' equity		**$73,080,302**	$87,019,390

Commitments and contingencies (note 14b)
Events after the reporting period (notes 4 and 7)

Approved on March 15, 2022 on behalf of the Board of Directors:

"Zara Boldt"	*"Jack Lundin"*
Zara Boldt, Director	Jack Lundin, Director

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

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

	Notes	Year Ended December 31, 2021	Year Ended December 31, 2020
Operating expenses			
Exploration and evaluation expenses	5	**$22,504,852**	$20,077,640
General and administration			
Advertising and promotion		**419,049**	390,977
Corporate listing and filing fees		**101,222**	55,207
Office and administration		**1,327,942**	873,472
Professional fees		**402,597**	1,607,436
Salaries and wages		**2,941,269**	3,344,835
Share-based compensation	10	**1,553,322**	1,186,011
		(29,250,253)	(27,535,578)
Interest income		**364,935**	447,486
Finance expenses		**(76,823)**	(637,632)
Accretion expense	8	**(440,420)**	(553,683)
Other loss		**(2,364)**	(214,446)
Foreign exchange loss		**(196,756)**	(1,934,321)
Loss before income tax		**(29,601,681)**	(30,428,174)
Income tax recovery (expense)	9	**386,172**	(254,788)
Net loss		**(29,215,509)**	(30,682,962)
Other comprehensive (loss) income items that will not be reclassified to net loss:			
(Loss) gain on equity securities, net of tax recovery of $7,012 and tax expense of $28,090		**(44,928)**	172,182
Translation adjustment		**500,308**	6,071,600
Comprehensive loss		**($28,760,129)**	($24,439,180)
Weighted average number of common shares outstanding – basic and diluted		**148,881,202**	122,575,093
Basic and diluted loss per common share		**($0.20)**	($0.25)

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

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

	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	10	—	83,951	1,102,060	—	—	1,186,011
Exercise of options	10	5,208,333	8,042,074	(2,471,931)	—	—	5,570,143
Exercise of warrants	10	3,777,920	1,638,480	(430,121)	—	—	1,208,359
Comprehensive income (loss) for the year		—	—	—	6,243,782	(30,682,962)	(24,439,180)
Balance, December 31, 2020		143,547,376	$168,677,315	$10,702,958	$10,805,015	($116,530,315)	$73,654,973
Share-based compensation	10	**—**	**—**	**1,553,322**	**—**	**—**	**1,553,322**
Exercise of options	10	**726,667**	**1,069,280**	**(211,579)**			**857,701**
Exercise of warrants	10	**6,084,440**	**8,927,467**	**(951,242)**	**—**	**—**	**7,976,225**
Comprehensive income (loss) for the year		**—**	**—**	**—**	**455,380**	**(29,215,509)**	**(28,760,129)**
Balance, December 31, 2021		**150,358,483**	**$178,674,062**	**$11,093,459**	**$11,260,395**	**($145,745,824)**	**$55,282,092**

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

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

	Notes	Year Ended December 31, 2021	Year Ended December 31, 2020
Cash flows used in operating activities			
Net loss for the year		**($29,215,509)**	($30,682,962)
Adjustments for:			
Accretion expense	8	**440,420**	553,683
Depreciation		**319,978**	448,812
Share-based compensation	10	**1,553,322**	1,186,011
Change in restoration provision estimate	8	**(225,356)**	(70,024)
Interest income		**(364,935)**	(175,351)
Finance expenses		**8,664**	137,574
Other loss		**9,949**	271,608
Change in non-current other liabilities	6	**650,232**	—
Income tax (recovery) expense	9	**(386,172)**	254,788
Non-cash foreign exchange loss		**215,834**	2,237,897
Changes in non-cash working capital:			
Receivables		**18,171**	(279,664)
Prepaid expenses		**161,743**	343,735
Inventory		**(8,201)**	8,507
Trade and other payables		**(174,936)**	(565,984)
Cash used in operating activities before income taxes paid		**(26,996,796)**	(26,331,370)
Income taxes paid		**—**	(7,668)
Cash used in operating activities		**(26,996,796)**	(26,339,038)
Cash flows (used in) generated by investing activities			
Purchase of property, plant and equipment		**(13,718,890)**	(159,397)
Interest received		**637,070**	175,351
Cash (used in) generated by investing activities		**(13,081,820)**	15,954
Cash flows generated by financing activities			
Proceeds from exercise of options		**857,701**	5,570,143
Proceeds from exercise of warrants		**7,976,225**	1,208,359
Lease principal repayments		**(27,150)**	(111,771)
Credit facility fees	7	**(4,500)**	(483,231)
Proceeds from equity financings	10	**—**	65,414,119
Equity financing fees	10	**—**	(2,707,204)
Funds received from Loans	7	**—**	10,000,000
Repayment of Loans	7	**—**	(10,000,000)
Interest paid		**(4,164)**	(85,991)
Cash generated by financing activities		**8,798,112**	68,804,424
Effects of foreign exchange rate changes on cash and cash equivalents		**231,556**	3,822,404
(Decrease) increase in cash and cash equivalents		**(31,048,948)**	46,303,744
Cash and cash equivalents, beginning of the year		**49,334,074**	3,030,330
Cash and cash equivalents, end of the year		**$18,285,126**	$49,334,074

Supplemental cash flow information (note 15)

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

(Expressed in United States dollars)

1. Nature of Operations

Bluestone Resources Inc. ("Bluestone" or the "Company"), incorporated on November 7, 2000, under the Business Corporations Act (Alberta) and continued into British Columbia on June 13, 2005, is a Canadian-based precious metals exploration and development company focused on opportunities in Guatemala. The Company's flagship asset is Cerro Blanco, a near surface mine development project located in Southern Guatemala in the department of Jutiapa. The Company's head and registered office is located at 2000 - 885 West Georgia Street, Vancouver, BC, V6C 3E8. The Company trades under the symbol "BSR" on the TSX Venture Exchange ("TSXV") and "BBSRF" on the OTCQB.

2. Significant Accounting Policies, Estimates and Judgments

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

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

The consolidated financial statements were authorized for issue by the Board of Directors on March 15, 2022.

For all periods presented, these 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 principal subsidiaries of the Company and their geographic locations at December 31, 2021, were as follows:

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

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. For the year ended December 31, 2021, COVID-19 had no significant financial impacts on the Company.

b) Basis of measurement

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

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

c) Foreign currency translation

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

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

d) Cash and cash equivalents and restricted cash

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

e) Inventory

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

f) Property, plant and equipment

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

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

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

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

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

g) Leases

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

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

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

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

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

h) Exploration and evaluation assets

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

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

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

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

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

i) Contingent consideration payable

Contingent consideration payable is recognized when: (i) the conditions associated with the contingency are met (see note 14(b)); (ii) the Company has a present legal or constructive obligation that can be estimated reliably; and (iii) and it is probable that an outflow of economic benefits will be required to settle the obligation.

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

j) Rehabilitation provision

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

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

k) Income taxes

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

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

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

l) Share capital

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

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

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

m) Share-based compensation

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

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

n) Loss per common share

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

Existing stock options and warrants are not included in the computation of diluted loss per share as to do so would be anti-dilutive. Accordingly, basic and diluted loss per share would be the same in periods with net loss.

o) Impairment of non-financial assets

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

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

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

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

p) Financial instruments

Classification

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

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

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

Measurement

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

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

Impairment

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

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

q) Significant estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of judgments and/or estimates that affect the amounts reported and disclosed in the consolidated financial statements and related notes. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ materially from the amounts included in the financial statements. Information about such judgments and estimates is contained in the accounting policies and/or notes to the consolidated financial statements, and the key areas are summarized below.

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

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

The preparation of the consolidated financial statements requires the Company to make estimates and assumptions about the future. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The Company has outlined information about assumptions and other sources of estimation uncertainty, as at December 31, 2021, that have a risk of resulting in a material adjustment to the carrying amounts of rehabilitation provisions within the next year.

Identification of impairment indicators of the exploration and evaluation asset The carrying amount of the Company's exploration and evaluation asset does not necessarily represent present or future values, and judgment is required to determine if there are indicators of impairment. At each reporting period, the Company applies judgment in assessing whether there are any indicators of impairment relating to exploration and evaluation assets. If any such indicator exists, then an impairment test is performed by the Company. Indicators of impairment may include (i) the period during which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, (ii) substantive expenditure on further exploration for an evaluation of mineral resources in the specific area is neither budgeted nor planned, (iii) sufficient data exists to support that extracting the resources will not be technically feasible or commercially viable and (iv) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

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

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

Functional currency In accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*, the Company determined that the functional currency of its principal subsidiaries (note 2(a)) is the United States dollar as this is the currency of the primary economic environment in which the companies operate. The functional currency of the parent company, Bluestone Resources Inc., is the Canadian dollar as this is the currency of the primary economic environment in which the parent company operates.

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

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

r) New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board. The following has not yet been adopted by the Company:

- IAS 16, *Property, Plant and Equipment* ("IAS 16"): Amendments to IAS 16 prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related costs in profit or loss. The amendments to IAS 16 are effective for annual reporting periods beginning on or after January 1, 2022, with early adoption permitted. The amendment is not currently applicable to the Company; however, it may be applicable in the future should the Company receive proceeds from selling items produced prior to an asset being ready for its intended use.
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Proposed amendments to IAS 12, *Income Taxes* ("IAS 12")): The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments to IAS 12 are effective for annual reporting periods beginning on or after January 1, 2023. The Company is assessing the impact of the amendments and does not expect them to have significant effects on the Company's financial statements.

3. Restricted Cash

Restricted cash of $1,769,168 as at December 31, 2021 (December 31, 2020 - $1,748,584), relates to term deposits provided as cash collateral for environmental bonding with the Ministry of Environment in Guatemala.

(Expressed in United States dollars)

4. Property, Plant and Equipment

	December 31, 2021		
	Land	**Plant and equipment [1]**	**Total**
Cost			
Balance, January 1, 2020	$907,858	$5,014,779	$5,922,637
Additions	16,424,273	1,478,919	17,903,192
Disposals	—	(73,743)	(73,743)
Translation differences	—	(1,931)	(1,931)
Balance, December 31, 2021	**17,332,131**	**6,418,024**	**23,750,155**
Accumulated depreciation			
Balance, January 1, 2020	—	(1,276,761)	(1,276,761)
Charge for the year	—	(319,978)	(319,978)
Disposals	—	68,424	68,424
Balance, December 31, 2021	**—**	**(1,528,315)**	**(1,528,315)**
Net book value at December 31, 2021	**$17,332,131**	**$4,889,709**	**$22,221,840**

(1) Includes assets under construction of $1,808,527 at December 31, 2021.

	December 31, 2020		
	Land	Plant and equipment [2]	Total
Cost			
Balance, January 1, 2020	$907,858	$5,183,638	$6,091,496
Additions	—	159,397	159,397
Write-downs	—	(324,912)	(324,912)
Translation differences	—	(3,344)	(3,344)
Balance, December 31, 2020	907,858	5,014,779	5,922,637
Accumulated depreciation			
Balance, January 1, 2020	—	(881,253)	(881,253)
Charge for the year	—	(448,812)	(448,812)
Write-downs	—	53,304	53,304
Balance, December 31, 2020	—	(1,276,761)	(1,276,761)
Net book value at December 31, 2020	$907,858	$3,738,018	$4,645,876

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

Subsequent to the reporting period, the Company acquired land with costs totaling $1,453,658. These lands were paid for with cash and cash equivalents designated for the purchases as at December 31, 2021.

(Expressed in United States dollars)

5. Exploration and Evaluation Asset and Expenses

The exploration and evaluation asset of $30,126,433 as at December 31, 2021 (December 31, 2020 - $30,126,433), relates to Cerro Blanco.

Exploration and evaluation expenses for the years ended December 31, 2021 and 2020, were for the following:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Cerro Blanco general and exploration expenditures	**$13,685,231**	$11,736,798
Cerro Blanco feasibility study, preliminary economic assessment and pre-development expenditures	**7,028,732**	7,177,566
Corporate social responsibility and community relations	**1,629,323**	875,714
Mita Geothermal Project evaluation	**107,155**	19,319
Depreciation	**279,767**	338,267
Change in rehabilitation provision estimates (note 8)	**(225,356)**	(70,024)
	$22,504,852	$20,077,640

6. Trade and Other Payables

	December 31, 2021	December 31, 2020
Trade payables	**$470,339**	$1,130,847
Accrued liabilities	**1,278,577**	588,523
Payroll liabilities	**1,399,518**	1,261,442
Rehabilitation provisions	**21,444**	—
Other liabilities [1]	**4,461,842**	—
	7,631,720	2,980,812
Non-current portion of other liabilities [1][2]	**(2,792,496)**	—
Current trade and other payables	**$4,839,224**	$2,980,812

(1) Other liabilities includes amounts relating to land purchase agreements payable from 2022 to 2024. As at December 31, 2021, current and non-current other liabilities relating to these agreements were $1,669,346 and $2,142,264, respectively.

(2) 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 December 31, 2021, non-current other liabilities relating to these agreements were $650,232, which was recognized as exploration and evaluation expenses in the consolidated statement of loss during the year ended December 31, 2021. The Company is required to make these payments in 2023.

(Expressed in United States dollars)

7. Loans

On January 27, 2020, the Company entered into a $30,000,000 credit facility (the "Credit Facility"). Loans under the Credit Facility (the "Loans") were made available through multiple borrowings. The annual interest rates on the Loans were set based on US LIBOR plus a margin equal to 0.45%.

The Loans were supported by a guarantee from Nemesia S.à.r.l. ("Nemesia"). In consideration for the guarantee from Nemesia, the Company issued 85,000 common shares to Nemesia with a fair value of $98,012. Nemesia is an affiliate of Zebra Holdings and Investment S.à.r.l. and Lorito Holdings S.à.r.l. (collectively with Nemesia, the "Lundin Entities"), both of which are companies controlled by a trust settled by the late Adolf H. Lundin. The Lundin Entities are significant shareholders of the Company, making them a related party.

As of December 31, 2021, the Company had no Loans payable as the $10,000,000 drawn during the three months ended March 31, 2020 was repaid during the three months ended June 30, 2020. During the years ended December 31, 2021 and 2020, the Company recognized the following as finance expenses in the consolidated statement of loss relating to the Credit Facility:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Interest on Loans	**$—**	$36,465
Commitment fees	**4,500**	51,583
Amortization of transaction costs [1]	**46,620**	478,556
	$51,120	$566,604

(1) The Company incurred transaction costs of $529,659 in connection with the Credit Facility. These transaction costs were recognized as prepaid expenses and other current assets in the consolidated statement of financial position and amortized using the straight-line method to January 27, 2021. The Credit Facility expired on January 27, 2021.

March 2022 Loan

Subsequent to the reporting period, the Company established a $30,000,000 loan (the "March 2022 Loan") in favour of the Company with the Lundin Entities (the "Lender"). In support of the March 2022 Loan, the Company has entered into an unsecured debenture (the “Debenture”) with the Lender in the principal amount of $30,000,000 (the “Principal Amount”). The Debenture will provide for the drawdown of funds by the Company in tranches of not less than $1,000,000.

In consideration for the March 2022 Loan, the Company has issued 150,000 common shares of the Company to the Lender upon execution of the Debenture, and will issue an additional 4,000 common shares per month (pro-rated for partial months) for each $1,000,000 of the Principal Amount outstanding under the Debenture from time to time up to December 31, 2022 (the “Maturity Date”), the number of such common shares to be calculated as of the last day of each month up to the Maturity Date.

(Expressed in United States dollars)

8. Rehabilitation Provisions

The changes in the rehabilitation provision during the years ended December 31, 2021 and 2020, were as follows:

	December 31, 2021	December 31, 2020
Balance, beginning of year	**$8,436,427**	$7,952,768
Accretion (unwinding of discount)	**440,420**	553,683
Change in estimates and rates	**(225,356)**	(70,024)
	8,651,491	8,436,427
Current portion of rehabilitation provisions	**(21,444)**	—
Non-current rehabilitation provisions	**$8,630,047**	$8,436,427

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

The total amount of estimated undiscounted cash flows required to settle the Company's estimated obligation as at December 31, 2021, is $10,294,335 (December 31, 2020 - $10,347,341). The change in the rehabilitation provision estimate during the year ended December 31, 2021, was due to updated inflation and discount rates. The change in the rehabilitation provision estimate during the year ended December 31, 2020, was due to updated quotes for the rehabilitation of Cerro Blanco and updated timing of cash flows, inflation rate and discount rate. The calculation of present value of estimated future cash flows assumed a discount rate of 5.10% (December 31, 2020 - 4.91%) and an inflation rate of 3.10% (December 31, 2020 - 3.24%). The liabilities are expected to be settled at various dates which are currently expected to extend from 2022 to 2027. The changes were recorded in exploration and evaluation expenses in the consolidated statement of loss and comprehensive loss (note 5).

A 1% increase or decrease in the discount rate would cause the rehabilitation provision to decrease or increase, respectively, by approximately $287,000.

(Expressed in United States dollars)

9. Income Tax

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

	Year Ended December 31, 2021	Year Ended December 31, 2020
Loss before income taxes	**($29,601,681)**	($30,428,174)
Canadian federal and provincial income tax rates	**27.00 %**	27.00 %
Income tax recovery based on the above rates	**(7,992,454)**	(8,215,607)
Increase due to:		
Non-deductible expenses	**2,464,249**	2,507,170
Losses and temporary differences for which no future income tax asset has been recognized	**5,210,535**	5,086,872
Foreign exchange translation and revaluation	**(394,519)**	592,405
Effect of different tax rates in foreign jurisdictions	**326,017**	283,948
Total income tax (recovery) expense	**($386,172)**	$254,788
Current tax expense	**17,551**	1,014
Deferred tax expense (recovery)	**(403,723)**	253,774
Total income tax expense (recovery)	**($386,172)**	$254,788

The significant components of the Company's recognized net deferred income tax liability at December 31, 2021 and 2020, were as follows:

	December 31, 2021	December 31, 2020
Guatemala property, plant and equipment	**$666,354**	$680,658
Guatemala exploration and evaluation asset and other	**870,089**	1,266,520
Deferred income tax liabilities	**$1,536,443**	$1,947,178

The movement in the deferred income tax liabilities is due to the denomination of the tax basis of property, plant and equipment and exploration and evaluation asset being in a foreign currency that is different from the functional currency of Elevar and Geotermia.

(Expressed in United States dollars)

9. Income Tax (cont'd)

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

	Expiry Dates	**December 31, 2021**	December 31, 2020
Canadian tax losses	2026 to 2041	**$37,146,019**	$29,759,679
Guatemala rehabilitation provisions	No expiry date	**8,651,491**	8,436,427
Share issues costs and other	2041 to 2045	**3,779,628**	6,023,169
Canadian exploration and evaluation asset	No expiry date	**1,981,909**	1,952,674
Barbados tax losses	2022 to 2028	**231,290**	211,972
Canadian investment tax credits	2025 to 2032	**151,010**	150,370

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

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

The tax attributes in Guatemala of the property, plant and equipment and the exploration and evaluation asset exceed the book value of the acquisition price by over $149,000,000. Those amounts are not reflected in the above table as they are due to the initial recognition exemption rather than a temporary difference for accounting purposes under IFRS.

(Expressed in United States dollars)

10. Share Capital

The Company's authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

a) Equity financings

On May 1, 2020, the Company completed a bought deal financing (the "Financing") pursuant to which the Company issued 52,578,000 common shares of the Company at C$1.75 per common share and received gross proceeds of $65,414,119 (C$92,011,500). An aggregate of 10,986,428 common shares of the Company issued from the Financing were purchased by related parties. The Company incurred $2,707,204 in fees in connection with the Financing during the year ended December 31, 2020.

b) Warrants

The changes in warrants outstanding during the years ended December 31, 2021 and 2020, were as follows:

	December 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 year	**8,730,652**	**$1.65**	12,508,572	$1.28
Exercised	**(6,084,440)**	**(1.65)**	(3,777,920)	(0.43)
Expired	**(2,646,212)**	**(1.65)**	—	—
Outstanding, end of year	**—**	**$—**	8,730,652	$1.65

c) Stock options

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

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

(Expressed in United States dollars)

10. Share Capital (cont'd)

The changes in stock options outstanding during the years ended December 31, 2021 and 2020, were as follows:

	December 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 year	**5,685,667**	**$1.57**	7,735,000	$1.43
Granted	**2,715,000**	**1.70**	3,169,000	1.78
Exercised	**(726,667)**	**(1.49)**	(5,208,333)	(1.49)
Forfeited	**(141,000)**	**(1.70)**	(10,000)	(1.50)
Outstanding, end of year	**7,533,000**	**$1.63**	5,685,667	$1.57

The following table summarizes information about stock options outstanding and exercisable as at December 31, 2021:

	Stock options outstanding		**Stock options exercisable**	
Exercise prices (C$)	**Stock options outstanding**	**Weighted avg. remaining contractual life (years)**	**Stock options exercisable**	**Weighted avg. exercise price (C$/option)**
1.00 - 1.30	**1,990,000**	**2.32**	**1,923,333**	**$1.24**
1.31 - 1.60	**500,000**	**3.07**	**333,334**	**$1.47**
1.61 - 1.90	**5,043,000**	**3.81**	**3,032,000**	**1.81**
	7,533,000	**$3.49**	**5,288,667**	**$1.58**

The weighted average fair value of the stock options granted during the year ended December 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 year ended December 31, 2021, have an expiry date of March 18, 2026.

During the year ended December 31, 2021, the Company recognized share-based compensation expense of $1,553,322 (year ended December 31, 2020 - $1,102,060) in the consolidated statement of loss and comprehensive loss relating to the stock options.

11. Segmented Information

Operating segments are components of an entity that engage in business activities from which they incur expenses and whose operating results are regularly reviewed by a chief operating decision maker to make resource allocation decisions and to assess performance. The Chief Executive Officer is responsible for allocating resources and reviewing operating results of the operating segment on a periodic basis. The Company has one operating segment, being the operations in Guatemala. Operating segments have not been aggregated. All non-current assets are located in Guatemala.

(Expressed in United States dollars)

12. Related Party Transactions

a) Key management compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consist of 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:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Salaries and benefits	**$1,552,383**	$1,950,661
Share-based compensation	**1,319,124**	995,188
	$2,871,507	$2,945,849

Accrued compensation due to key management as at December 31, 2021, was $553,136 (December 31, 2020 - $637,763). The balances payable were in connection with the payment of short-term incentives related to the years ended December 31, 2021 and 2020.

b) Related party expenses

During the year ended December 31, 2021, the Company incurred $345,055 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.

13. 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 instruments. The Company's other liabilities are categorized as Level 2.

(Expressed in United States dollars)

14. Financial Risk Management

a) Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents and restricted cash. Management believes that the credit risk with respect to these financial instruments is low as the balances primarily consist of amounts on deposit with major financial institutions. The maximum exposure to credit risk as at December 31, 2021, was $20,054,294 (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 December 31, 2021, the Company had a cash balance of $18,285,126 (December 31, 2020 - $49,334,074) to settle current liabilities of $4,839,224 (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. Taking into account the March 2022 Loan (note 7), management estimates that the Company has sufficient working capital to maintain its planned operations and its activities for the foreseeable future.

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

	Payments due by period (as at December 31, 2021)		
	Less than one year	**1 - 2 years**	**After 2 years**
Trade and other payables	**$2,950,906**	**$—**	**$—**
Property, plant and equipment	**1,866,874**	**2,792,496**	**—**
Total contractual obligations	**4,817,780**	**2,792,496**	**—**
Rehabilitation provisions	**21,444**	**15,400**	**10,257,491**
Total	**$4,839,224**	**$2,807,896**	**$10,257,491**

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 December 31, 2021, and are not shown in the commitments table above. These payments will be recognized as liabilities in the consolidated statement of financial position upon commencement of commercial production at Cerro Blanco.

14. Financial Risk Management (cont'd)

c) Market risk

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

Interest rate risk

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 December 31, 2021, the weighted average interest rate earned on our cash and cash equivalents was 0.64%. With other variables unchanged, a change in the annualized interest rate of a hundred basis points at December 31, 2021, would impact after-tax net loss by approximately $159,000.

Foreign currency risk

The Company is exposed to foreign currency risk in connection with its Canadian dollar and Guatemala quetzal denominated financial instruments. A 10% fluctuation in the C$/US$ rate as at December 31, 2021 would result in an approximate $128,000 decrease/increase in net loss and an approximate $1,342,000 increase/decrease in other comprehensive loss. A 10% fluctuation in the US$/Guatemala quetzal rate as at December 31, 2021 would result in an approximate $360,000 increase/decrease 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 year ended December 31, 2021. The Company is not subject to externally imposed capital requirements.

(Expressed in United States dollars)

15. Supplemental Cash Flow Information

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

Non-cash financing transactions during the years ended December 31, 2021 and 2020, were as follows:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Transfer of reserves on exercise of options	**($211,579)**	($2,471,931)
Transfer of reserves on exercise of warrants	**(951,242)**	(430,121)
Fair value of common shares issued for the Credit Facility (note 7)	**—**	98,012