

BLUESTONE RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2022

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Bluestone Resources Inc. ("Bluestone" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three months ended March 31, 2022. The MD&A was prepared as of May 17, 2022, and should be read with the unaudited condensed interim consolidated financial statements and related notes for the three months ended March 31, 2022, which can be found along with other information of the Company on SEDAR at www.sedar.com. All figures are in United States ("U.S.") dollars unless otherwise stated. References to C\$ are to Canadian dollars. The financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* of International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

Forward-Looking Statements

This MD&A contains "forward-looking information" within the meaning of Canadian securities legislation and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, "forward-looking statements"). All statements, other than statements of historical fact, which address activities, events or developments that management believes, expects or anticipates will or may occur in the future are forward-looking statements and often use words such as "expects", "plans", "anticipates", "estimates", "intends", "may" or variations thereof or the negative of any of these terms. Forward-looking statements contained in this MD&A include, but are not limited to statements with respect to the 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 titled "N.I. 43-101 Technical Report & Feasibility Study of the Cerro Blanco Gold Project, Department of Jutiapa, Guatemala" dated April 6, 2022 with an effective date as of February 22, 2022 and filed on the Company's profile at www.sedar.com on April 6, 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 Reserves and Resources; and risks and uncertainties related to interruptions in production.

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

Qualified Person

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

Overview

Bluestone is a 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 Ended March 31, 2022

- On February 22, 2022, the Company announced the results of the Feasibility Study for Cerro Blanco, with after-tax net present value ("NPV_{5%}") of \$1,047M and 30% internal rate of return ("IRR") at a gold price of \$1,600/oz and a silver price of \$20/oz.
- On March 14, 2022, the Company announced that it had established a \$30M loan facility (the "Loan") with Zebra Holdings and Investments S.à.r.l, and Lorito Holdings S.à.r.l (the "Lender"). The Loan will provide for the drawdown of funds by the Company in tranches of not less than \$1M. Proceeds will be primarily used for general corporate purposes and to advance the Cerro Blanco gold project through engineering and permit approval.

Project Updates

Cerro Blanco Gold Project

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. An exploitation license for Cerro Blanco was granted in 2007. The Company is in the process of amending Cerro Blanco's environmental license to capture the change to a surface mining method.

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 IRR of 30%.
- Initial capital of \$572 million with an after-tax payback period of 2.2 years.
- 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).

The technical report summarizing the results of the Feasibility Study was prepared in accordance with N.I. 43-101 and was filed under the Company's profile on SEDAR on April 6, 2022.

Permit amendment application

The Company submitted the permit amendment application for the change in mining method in November 2021. 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. During the three months ended March 31, 2022, a meeting was held with Guatemalan national authorities to provide a general status update on Cerro Blanco and to discuss the progress of the permit amendment application.

Bridge

During the three months ended March 31, 2022, an environmental permit for a new bridge and a construction license was prepared and submitted for approval. A forestry application for the bridge on the east side of the river has been completed and is pending approval. The environmental permit and construction license for the bridge have been received and it is anticipated that construction will begin in Q2 2022 on the west side of the river.

Project Updates (cont'd)

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 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. Technical training programs continued during the three months ended March 31, 2022, to deliver technical and skills-based training courses. The first course underway was masonry. Programs with a focus on carpentry, mechanics, technicians and welding also started in Q1 2022.

In addition to job skills training, the Company 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. During the three months ended March 31, 2022, 44 students received their high school graduation diplomas as part of this adult education program.

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 undertook 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 March 31, 2022 Compared to the Three Months Ended March 31, 2021

The Company's net loss for the three months ended March 31, 2022, totaled \$6,689,664 or \$0.04 per share as compared to a net loss of \$7,279,660 or \$0.05 per share for the three months ended March 31, 2021. Significant expenditures and variances are as follows:

| | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 | (Increase) Decrease in Net Loss |
|--|--------------------------------------|--------------------------------------|------------------------------------|
| Exploration and evaluation expenses ⁽¹⁾ | \$5,226,272 | \$5,292,452 | \$66,180 |
| General and administration | | | |
| Advertising and promotion | 70,806 | 212,955 | 142,149 |
| Corporate listing and filing fees | 60,635 | 57,943 | (2,692) |
| Office and general | 388,806 | 260,105 | (128,701) |
| Professional fees | 141,340 | 55,581 | (85,759) |
| Salaries and wages | 546,001 | 741,001 | 195,000 |
| Share-based compensation | 629,108 | 696,666 | 67,558 |
| | (7,062,968) | (7,316,703) | 253,735 |
| Interest income | 26,135 | 124,089 | (97,954) |
| Finance expenses | (16,564) | (60,056) | 43,492 |
| Accretion expense | (110,766) | (103,972) | (6,794) |
| Other income | 3,901 | 7,923 | (4,022) |
| Foreign exchange loss | (720) | (284,742) | 284,022 |
| Loss before income tax | (7,160,982) | (7,633,461) | 472,479 |
| Income tax recovery | 471,318 | 353,801 | 117,517 |
| Net loss | (\$6,689,664) | (\$7,279,660) | \$589,996 |

⁽¹⁾ Exploration and evaluation expenses for the three months ended March 31, 2022 and 2021, were for the following:

| | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|--|--------------------------------------|--------------------------------------|
| Cerro Blanco general and exploration expenditures | \$2,878,431 | \$3,810,765 |
| Cerro Blanco Feasibility Study, preliminary economic assessment and pre-development expenditures | 1,661,618 | 1,018,176 |
| Corporate social responsibility and community relations | 599,590 | 381,009 |
| Mita Geothermal evaluation | 2,364 | 8,441 |
| Depreciation | 84,269 | 74,061 |
| | \$5,226,272 | \$5,292,452 |

Summary of Quarterly Results

The following table summarizes selected financial data reported by the Company for the three months ended March 31, 2022, and the previous seven quarters:

| | March 31, 2022 | December 31, 2021 | September 30, 2021 | June 30, 2021 | March 31, 2021 | December 31, 2020 | September 30, 2020 | June 30, 2020 |
|-----------------------------------|---------------------------|----------------------|-----------------------|------------------|-------------------|----------------------|-----------------------|------------------|
| Current assets | \$12,163,984 | \$18,962,861 | \$32,547,978 | \$42,179,739 | \$49,508,306 | \$50,498,497 | \$56,929,211 | \$61,721,337 |
| Property, plant and equipment | 24,013,184 | 22,221,840 | 14,201,894 | 9,046,892 | 7,355,948 | 4,645,876 | 5,016,920 | 5,092,889 |
| Exploration and evaluation assets | 30,126,433 | 30,126,433 | 30,126,433 | 30,126,433 | 30,126,433 | 30,126,433 | 30,126,433 | 30,126,433 |
| Total assets | 68,080,431 | 73,080,302 | 78,642,612 | 83,116,580 | 88,757,967 | 87,019,390 | 93,816,858 | 98,697,779 |
| Current liabilities | 5,930,381 | 4,839,224 | 4,316,707 | 2,732,570 | 2,407,236 | 2,980,812 | 3,035,421 | 2,575,705 |
| Working capital | 6,233,603 | 14,123,637 | 28,231,271 | 39,447,169 | 47,101,070 | 47,517,685 | 53,893,790 | 59,145,632 |
| Net loss | (6,689,664) | (7,269,408) | (7,129,181) | (7,537,260) | (7,279,660) | (9,560,183) | (8,639,298) | (5,582,153) |
| Basic and diluted loss per share | (0.04) | (0.05) | (0.05) | (0.05) | (0.05) | (0.07) | (0.06) | (0.05) |
| Weighted avg. shares outstanding | 150,682,416 | 150,188,918 | 150,158,483 | 150,144,563 | 144,961,360 | 143,538,463 | 143,231,017 | 120,661,470 |

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 engineering activities, and fluctuations in the C\$/US\$ rate. There are no seasonal fluctuations in the results for the presented periods.

Liquidity and Capital Resources

Cash decreased by \$7,512,452 during the three months ended March 31, 2022, from \$18,285,126 as at December 31, 2021, to \$10,772,674 as at March 31, 2022. Cash utilized in operating activities during the three months ended March 31, 2022, was \$6,896,178 (three months ended March 31, 2021 - \$7,145,356). Cash used in investing activities during the three months ended March 31, 2022, was \$1,255,046 (three months ended March 31, 2021 - \$2,456,915), mainly for the acquisition of property, plant and equipment. During the three months ended March 31, 2022, the Company generated cash from financing activities, mainly from the exercising of options by former employees, of \$497,328 compared to \$8,549,970 during the three months ended March 31, 2021, which was mainly from exercising of warrants.

As at March 31, 2022, share capital was \$179,627,292 and was comprised of 151,055,283 issued and outstanding common shares (December 31, 2021 - \$178,674,062 comprised of 150,358,483 shares outstanding). The increase in outstanding common shares during the three months ended March 31, 2022, was mainly the result of the exercising stock options. Reserves, which increased due to the vesting of stock options, were \$11,541,600 (December 31, 2021 - \$11,093,459). As a result of the net loss for the three months ended March 31, 2022, the deficit at March 31, 2022, increased to \$152,435,488 from \$145,745,824 at December 31, 2021. Accordingly, shareholders' equity on March 31, 2022, was \$50,203,475 compared to \$55,282,092 at December 31, 2021.

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*".

As at March 31, 2022, the Company had working capital of \$6,233,603. While management expects that the Company will be able to meet its existing obligations and commitments and fund ongoing operations for at least the next twelve months from March 31, 2022, the Company anticipates the need for further funding to support the advancement of Cerro Blanco. The Company is currently evaluating potential sources of funding, in addition to drawing on the Loan (described below). 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.

Loan

On March 11, 2022, the Company established a \$30,000,000 loan facility (the "Loan") with Zebra Holdings and Investments S.à.r.l and Lorito Holdings S.à.r.l (the "Lender"). The Loan provides for the drawdown of funds by the Company in tranches of not less than \$1,000,000.

The Lender and its affiliates are significant shareholders of the Company, making them a related party.

In consideration for the Loan, the Company issued 150,000 common shares of the Company with a fair value of \$234,670 to the Lender upon execution, 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 Loan from time to time up to March 11, 2023 (the "Maturity Date").

As at March 31, 2022, the Company had no Loans payable. During the three months ended March 31, 2022, the Company incurred transaction costs of \$274,935 in connection with the Loan. 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 the Maturity Date.

Risks and Uncertainties

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

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

An analysis of these risks and uncertainties, as they have the potential to impact the Company, can be found in the Company's Annual Information Form and MD&A for the year ended December 31, 2021. The risks and uncertainties have not changed from those disclosed in the Company's Annual Information Form and MD&A for the twelve months ended December 31, 2021.

Outstanding Share Data

Bluestone's authorized capital consists of an unlimited number of common shares and an unlimited number of preferred shares without par value. No preferred shares have been issued to date. The following common shares and stock options are outstanding as at May 17, 2022:

| | Number of Shares | Exercise Price C\$ | Remaining life (years) |
|--------------------------------------|--------------------|-----------------------|---------------------------|
| Issued and Outstanding Common Shares | 151,155,283 | | |
| Stock options | 9,154,200 | 1.15 - 1.91 | 0.91 - 4.84 |
| Fully diluted at May 17, 2022 | 160,309,483 | | |

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 three months ended March 31, 2022 and 2021: Members of the Board of Directors; former Executive Chairman; President; Chief Executive Officer; Chief Financial Officer; Vice President and Managing Director, Guatemala; and Vice President, Exploration. The remuneration of key management personnel included in the consolidated statements of loss and comprehensive loss is as follows:

| | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|--------------------------|--------------------------------------|--------------------------------------|
| Salaries | \$414,377 | \$469,637 |
| Share-based compensation | 507,046 | 573,047 |
| | \$921,423 | \$1,042,684 |

Accrued compensation due to key management as at March 31, 2022, was \$127,041 (December 31, 2021 - \$553,136).

Financial Instruments and Financial Risk Management

A description of the Company's financial instruments and financial risk management can be found in notes 9 and 10, respectively, of the Company's condensed interim consolidated financial statements for the three months ended March 31, 2022.

Significant Accounting Policies, Estimates and Judgments

A description of the Company's significant accounting policies, estimates and judgments, can be found in note 2, of the Company's audited consolidated financial statements for the year ended December 31, 2021.

New Standards and Interpretations Adopted

A description of the International Accounting Standards Board's new standards and interpretations adopted by the Company can be found in note 2(c) of the Company's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2022.

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.

All-in sustaining costs

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.

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 condensed interim consolidated financial statements for the three months ended March 31, 2022, do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, and (ii) the condensed interim consolidated financial statements for the three months ended March 31, 2022, fairly present in all material respects the financial condition, results of operations and cash flow of the Company.

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

1. Controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
2. A process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles.

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

Approval

The Board of Directors of Bluestone has approved the disclosure contained in this MD&A on May 17, 2022. A copy of this MD&A will be provided to anyone who requests it.

Additional Information

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

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Vancouver, BC, Canada
V6C 3E8
www.bluestonerresources.ca
Email: info@bluestonerresources.ca



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2022 and 2021

(Unaudited)

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

(Expressed in United States dollars - Unaudited)

| | Notes | March 31, 2022 | December 31, 2021 |
|---|-------|---------------------|---------------------|
| Current assets | | | |
| Cash and cash equivalents | | \$10,772,674 | \$18,285,126 |
| Accounts receivable | | 72,480 | 87,859 |
| Equity securities | | 325,685 | 247,636 |
| Prepaid expenses and other current assets | | 870,497 | 253,032 |
| Inventory | | 122,648 | 89,208 |
| | | 12,163,984 | 18,962,861 |
| Non-current assets | | | |
| Restricted cash | | 1,776,830 | 1,769,168 |
| Property, plant and equipment | 3 | 24,013,184 | 22,221,840 |
| Exploration and evaluation asset | | 30,126,433 | 30,126,433 |
| Total assets | | \$68,080,431 | \$73,080,302 |
| Current liabilities | | | |
| Trade and other payables | 4 | \$5,930,381 | \$4,839,224 |
| | | 5,930,381 | 4,839,224 |
| Non-current liabilities | | | |
| Other liabilities | 4 | 2,147,018 | 2,792,496 |
| Rehabilitation provisions | | 8,740,813 | 8,630,047 |
| Deferred income tax liabilities | | 1,058,744 | 1,536,443 |
| Total liabilities | | 17,876,956 | 17,798,210 |
| Shareholders' equity | | | |
| Share capital | 6 | 179,627,292 | 178,674,062 |
| Reserves | | 11,541,600 | 11,093,459 |
| Accumulated other comprehensive income | | 11,470,071 | 11,260,395 |
| Deficit | | (152,435,488) | (145,745,824) |
| Total shareholders' equity | | 50,203,475 | 55,282,092 |
| Total liabilities and shareholders' equity | | \$68,080,431 | \$73,080,302 |

Approved on May 17, 2022, on behalf of the Board of Directors:

"Zara Boldt"

Zara Boldt, Director

"Jack Lundin"

Jack Lundin, Director

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

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

| | Notes | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|--|-------|--------------------------------------|--------------------------------------|
| Operating expenses | | | |
| Exploration and evaluation expenses | 7 | \$5,226,272 | \$5,292,452 |
| General and administration | | | |
| Advertising and promotion | | 70,806 | 212,955 |
| Corporate listing and filing fees | | 60,635 | 57,943 |
| Office and general | | 388,806 | 260,105 |
| Professional fees | | 141,340 | 55,581 |
| Salaries and wages | | 546,001 | 741,001 |
| Share-based compensation | 6 | 629,108 | 696,666 |
| | | (7,062,968) | (7,316,703) |
| Other income (expenses) | | | |
| Interest income | | 26,135 | 124,089 |
| Finance expenses | | (16,564) | (60,056) |
| Accretion expense | | (110,766) | (103,972) |
| Other income | | 3,901 | 7,923 |
| Foreign exchange loss | | (720) | (284,742) |
| Loss before income tax | | (7,160,982) | (7,633,461) |
| Income tax recovery | | 471,318 | 353,801 |
| Net loss | | (6,689,664) | (7,279,660) |
| Other comprehensive income items that will not be reclassified to net loss: | | | |
| Gain (loss) on equity securities | | 73,461 | (36,722) |
| Translation adjustment | | 136,215 | 598,829 |
| Comprehensive loss | | (\$6,479,988) | (\$6,717,553) |
| Weighted average number of common shares outstanding – basic and diluted | | 150,682,416 | 144,961,360 |
| Basic and diluted loss per common share | | (\$0.04) | (\$0.05) |

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

Bluestone Resources Inc.

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in United States dollars - Unaudited)

| | Notes | Share capital | | Reserves | Accumulated other comprehensive income | Deficit | Total shareholders' equity |
|--|-------|--------------------|----------------------|---------------------|--|------------------------|----------------------------|
| | | Shares | Amount | | | | |
| Balance, January 1, 2021 | | 143,547,376 | \$168,677,315 | \$10,702,958 | \$10,805,015 | (\$116,530,315) | \$73,654,973 |
| Share-based compensation | 6 | — | — | 696,666 | — | — | 696,666 |
| Exercise of options | 6 | 510,000 | 757,889 | (150,817) | — | — | 607,072 |
| Exercise of warrants | | 6,084,440 | 8,927,467 | (951,242) | — | — | 7,976,225 |
| Comprehensive income (loss) for the period | | — | — | — | 562,107 | (7,279,660) | (6,717,553) |
| Balance, March 31, 2021 | | 150,141,816 | \$178,362,671 | \$10,297,565 | \$11,367,122 | (\$123,809,975) | \$76,217,383 |
| Balance, January 1, 2022 | | 150,358,483 | \$178,674,062 | \$11,093,459 | \$11,260,395 | (\$145,745,824) | \$55,282,092 |
| Loan consideration | 5 | 150,000 | 234,670 | — | — | — | 234,670 |
| Share-based compensation | 6 | — | — | 629,108 | — | — | 629,108 |
| Exercise of options | 6 | 546,800 | 718,560 | (180,967) | — | — | 537,593 |
| Comprehensive income (loss) for the period | | — | — | — | 209,676 | (6,689,664) | (6,479,988) |
| Balance, March 31, 2022 | | 151,055,283 | \$179,627,292 | \$11,541,600 | \$11,470,071 | (\$152,435,488) | \$50,203,475 |

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

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

| | Notes | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|-------|--------------------------------------|--------------------------------------|
| Cash used in operating activities | | | |
| Net loss for the period | | (\$6,689,664) | (\$7,279,660) |
| Adjustments for: | | | |
| Accretion expense | | 110,766 | 103,972 |
| Depreciation | 3 | 84,269 | 103,325 |
| Share-based compensation | 6 | 629,108 | 696,666 |
| Interest income | | (26,135) | (65,750) |
| Finance expenses | | — | 7,054 |
| Income tax recovery | | (471,318) | (353,801) |
| Non-cash foreign exchange (gain) loss | | (7,064) | 329,441 |
| Changes in non-cash working capital: | | | |
| Accounts receivable | | 27,581 | (6,950) |
| Prepaid expenses and other current assets | | (336,156) | 187,953 |
| Inventory | | (33,440) | (15,749) |
| Trade and other payables | | (184,125) | (851,857) |
| Cash used in operating activities | | (6,896,178) | (7,145,356) |
| Cash used in investing activities | | | |
| Purchase of property, plant and equipment | | (1,269,889) | (2,522,665) |
| Interest received | | 14,843 | 65,750 |
| Cash used in investing activities | | (1,255,046) | (2,456,915) |
| Cash generated by financing activities | | | |
| Proceeds from exercise of options | | 537,593 | 607,072 |
| Proceeds from exercise of warrants | | — | 7,976,225 |
| Loan fees | | (40,265) | (4,500) |
| Lease principal repayments | | — | (26,273) |
| Interest paid | | — | (2,554) |
| Cash generated by financing activities | | 497,328 | 8,549,970 |
| Effects of foreign exchange rate changes on cash and cash equivalents | | 141,444 | 253,359 |
| Decrease in cash and cash equivalents | | (7,512,452) | (798,942) |
| Cash and cash equivalents, beginning of the period | | 18,285,126 | 49,334,074 |
| Cash and cash equivalents, end of the period | | \$10,772,674 | \$48,535,132 |

Supplemental cash flow information (note 11)

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

Bluestone Resources Inc.

Notes for the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

(Expressed in United States dollars - Unaudited)

1. Nature of Operations

Bluestone Resources Inc. ("Bluestone" or the "Company"), incorporated on November 7, 2000, under the Business Corporations Act (Alberta) and continued into British Columbia on June 13, 2005, is a 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 condensed interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2021.

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

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 17, 2022.

For all periods presented, these condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation. A subsidiary is an entity in which the Company has control, directly or indirectly. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

b) Significant accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of judgments and/or estimates that affect the amounts reported and disclosed in the consolidated financial statements and related notes. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ materially from the amounts included in the financial statements. The critical estimates and judgments applied in the preparation of the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2022, are consistent with those applied and disclosed in note 2(q) to the Company's audited consolidated financial statements for the year ended December 31, 2021.

c) New standards and interpretations adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board. The following were adopted by the Company on January 1, 2022:

- 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. The amendment had no impact on adoption to the Company during the three months ended March 31, 2022.

Bluestone Resources Inc.

Notes for the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

(Expressed in United States dollars - Unaudited)

3. Property, Plant and Equipment

| | March 31, 2022 | | |
|---|---------------------|---------------------------------------|---------------------|
| | Land | Plant and equipment ⁽¹⁾ | Total |
| Cost | | | |
| Balance, January 1, 2022 | \$17,332,131 | \$6,418,024 | \$23,750,155 |
| Additions | 1,625,137 | 250,476 | 1,875,613 |
| Balance, March 31, 2022 | 18,957,268 | 6,668,500 | 25,625,768 |
| Accumulated depreciation | | | |
| Balance, January 1, 2022 | — | (1,528,315) | (1,528,315) |
| Charge for the year | — | (84,269) | (84,269) |
| Balance, March 31, 2022 | — | (1,612,584) | (1,612,584) |
| Net book value at March 31, 2022 | \$18,957,268 | \$5,055,916 | \$24,013,184 |

⁽¹⁾ Includes assets under construction of \$2,058,993 at March 31, 2022.

| | December 31, 2021 | | |
|--|---------------------|---------------------------------------|---------------------|
| | Land | Plant and equipment ⁽²⁾ | Total |
| Cost | | | |
| Balance, January 1, 2021 | \$907,858 | \$5,014,779 | \$5,922,637 |
| Additions | 16,424,273 | 1,478,919 | 17,903,192 |
| Write-downs | — | (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, 2021 | — | (1,276,761) | (1,276,761) |
| Charge for the year | — | (319,978) | (319,978) |
| Write-downs | — | 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 |

⁽²⁾ Includes assets under construction of \$1,808,527 at December 31, 2021.

Bluestone Resources Inc.

Notes for the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

(Expressed in United States dollars - Unaudited)

4. Trade and Other Payables

| | March 31, 2022 | December 31, 2021 |
|--|--------------------|--------------------|
| Trade payables | \$1,183,070 | \$470,339 |
| Accrued liabilities | 1,310,104 | 1,278,577 |
| Payroll liabilities | 657,363 | 1,399,518 |
| Rehabilitation provisions | 21,444 | 21,444 |
| Other liabilities ⁽¹⁾ | 4,905,418 | 4,461,842 |
| | \$8,077,399 | \$7,631,720 |
| Non-current portion of other liabilities ⁽¹⁾⁽²⁾ | (2,147,018) | (2,792,496) |
| Current trade and other payables | \$5,930,381 | \$4,839,224 |

⁽¹⁾ Other liabilities include amounts relating to land purchase agreements payable in 2022 and 2024. As at March 31, 2022, current and non-current other liabilities relating to these agreements were \$2,250,827 and \$2,004,860, 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 and were recognized as exploration and evaluation expenses in the consolidated statement of loss during the year ended December 31, 2021. As at March 31, 2022, current and non-current other liabilities relating to these agreements were \$507,573 and \$142,158, respectively.

5. Loan

On March 11, 2022, the Company established a \$30,000,000 loan facility (the "Loan") with Zebra Holdings and Investments S.à.r.l and Lorito Holdings S.à.r.l (the "Lender"). The Loan provides for the drawdown of funds by the Company in tranches of not less than \$1,000,000.

The Lender and its affiliates are significant shareholders of the Company, making them a related party.

In consideration for the Loan, the Company issued 150,000 common shares of the Company with a fair value of \$234,670 to the Lender upon execution (the "Initial Shares"), 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 Loan from time to time up to March 11, 2023 (the "Maturity Date").

As at March 31, 2022, the Company had no Loans payable. During the three months ended March 31, 2022, the Company incurred transaction costs of \$274,935 in connection with the Loan. These transaction costs, which included the Initial Shares, were recognized as prepaid expenses and other current assets in the consolidated statement of financial position and amortized using the straight-line method to the Maturity Date.

Bluestone Resources Inc.

Notes for the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

(Expressed in United States dollars - Unaudited)

6. Share Capital

As at March 31, 2022, 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) Stock options

The changes in stock options outstanding during the three months ended March 31, 2022, and year ended December 31, 2021, are as follows:

| | March 31, 2022 | | December 31, 2021 | |
|-----------------------------------|-------------------|---|-------------------|---|
| | Number of options | Weighted avg. exercise price (C\$/option) | Number of options | Weighted avg. exercise price (C\$/option) |
| Outstanding, beginning of period | 7,533,000 | \$1.63 | 5,685,667 | \$1.57 |
| Granted | 2,268,000 | 1.91 | 2,715,000 | 1.70 |
| Exercised | (546,800) | (1.25) | (726,667) | (1.49) |
| Forfeited | — | — | (141,000) | (1.70) |
| Outstanding, end of period | 9,254,200 | \$1.72 | 7,533,000 | \$1.63 |

6,415,533 of the stock options outstanding as at March 31, 2022, are exercisable, at a weighted average exercise price of C\$1.66 per option.

The weighted average fair value of the stock options granted during the three months ended March 31, 2022, was estimated to be C\$0.73 (year ended December 31, 2021 - C\$0.66) per stock option using the Black-Scholes option pricing model with the following weighted average assumptions: Risk-free rate - 1.82% (year ended December 31, 2021 - 0.55%), volatility - 55.37% (year ended December 31, 2021 - 54.15%), dividend yield - 0% (year ended December 31, 2021 - 0%), expected life - 3 years (year ended December 31, 2021 - 3 years). The stock options granted during the three months ended March 31, 2022, have an expiry date of March 17, 2027.

During the three months ended March 31, 2022, the Company recognized share-based compensation expense of \$629,108 (three months ended March 31, 2021 - \$696,666) in the consolidated statement of loss relating to the stock options.

7. Exploration and Evaluation Expenses

| | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|--|--------------------------------------|--------------------------------------|
| Cerro Blanco general and exploration expenditures | \$2,878,431 | \$3,810,765 |
| Cerro Blanco feasibility study, preliminary economic assessment and pre-development expenditures | 1,661,618 | 1,018,176 |
| Corporate social responsibility and community relations | 599,590 | 381,009 |
| Mita Geothermal evaluation | 2,364 | 8,441 |
| Depreciation | 84,269 | 74,061 |
| | \$5,226,272 | \$5,292,452 |

Bluestone Resources Inc.

Notes for the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

(Expressed in United States dollars - Unaudited)

8. Related Party Transactions - Key Management Compensation

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

| | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|--------------------------|--------------------------------------|--------------------------------------|
| Salaries | \$414,377 | \$469,637 |
| Share-based compensation | 507,046 | 573,047 |
| | \$921,423 | \$1,042,684 |

Accrued compensation due to key management as at March 31, 2022, was \$127,041 (December 31, 2021 - \$553,136).

9. 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.

Bluestone Resources Inc.

Notes for the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

(Expressed in United States dollars - Unaudited)

10. Financial Risk Management

a) Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents and restricted cash. Management believes that the credit risk with respect to these financial instruments is low as the balances primarily consist of amounts on deposit with a major financial institution. The maximum exposure to credit risk as at March 31, 2022, was \$12,549,504 (December 31, 2021 - \$20,054,294).

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 March 31, 2022, the Company had a cash balance of \$10,772,674 (December 31, 2021 - \$18,285,126) to settle current liabilities of \$5,930,381 (December 31, 2021 - \$4,839,224). All of the Company's financial liabilities are subject to commercial trade terms. While management expects that the Company will be able to meet its existing obligations and commitments and fund ongoing operations for at least the next twelve months from March 31, 2022, the Company anticipates the need for further funding to support the advancement of Cerro Blanco. The Company is currently evaluating potential sources of funding, in addition to drawing on the Loan (note 5). Historically, capital requirements have been primarily funded through the sale of equity instruments, the exercise of convertible securities and drawing from a credit facility. 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. Based on the amount of funding raised, the Company's planned initiatives and other work programs may be postponed, or otherwise revised, as necessary.

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 March 31, 2022. These payments will be recognized as liabilities in the consolidated statement of financial position upon commencement of commercial production at Cerro Blanco.

c) Market risk

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

Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. Interest rate risk arises from the interest rate impact on cash and cash equivalents because these are the financial instruments held by the Company that are impacted by interest based on variable market interest rates. The Company manages interest rate risk by maintaining an investment policy for short-term investments and cash held in banks, which focuses on preservation of capital and liquidity. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banking institutions. The Company monitors its exposure to interest rates closely and has not entered into any derivative contracts to manage its risk. As at March 31, 2022, the weighted average interest rate earned on the Company's cash and cash equivalents was 0.86%. With other variables unchanged, a change in the annualized interest rate of a hundred basis points at March 31, 2022, would impact after-tax net loss by approximately \$95,000.

Bluestone Resources Inc.

Notes for the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

(Expressed in United States dollars - Unaudited)

10. Financial Risk Management (cont'd)

Foreign currency risk

The Company is exposed to foreign currency risk in connection with its Canadian dollar and Guatemala quetzal denominated financial instruments. A 10% fluctuation in the C\$/US\$ rate as at March 31, 2022, would result in an approximate \$16,000 decrease/increase in net loss and an approximate \$806,000 increase/decrease in other comprehensive loss. A 10% fluctuation in the US\$/Guatemala quetzal rate as at March 31, 2022, would result in an approximate \$400,000 decrease/increase in net loss.

Price risk

The Company's financial instruments are exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings or other comprehensive income due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

d) Capital Management

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

There were no changes to the Company's approach to capital management during the three months ended March 31, 2022. The Company is not subject to externally imposed capital requirements.

11. Supplemental Cash Flow Information

Cash and cash equivalents included no short-term investments as at March 31, 2022 and December 31, 2021.

Non-cash financing transactions during the three months ended March 31, 2022 and 2021, were as follows:

| | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|--|--|--------------------------------------|
| Fair value of common shares issued for Loan (note 5) | \$234,670 | \$— |
| Transfer of reserves on exercise of options | (180,967) | (150,817) |
| Transfer of reserves on exercise of warrants | — | (951,242) |