

BLUESTONE RESOURCES INC.**MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED MAY 31, 2017**

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Bluestone Resources Inc. ("Bluestone", "BSR" or "the Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the six months ended May 31, 2017. The MD&A was prepared as of July 19, 2017 and should be read with the condensed interim consolidated financial statements and related notes for the six months ended May 31, 2017 and May 31, 2016. All figures are in U.S. dollars unless otherwise stated. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Forward Looking Statements

This MD&A provides management's analysis of Bluestone's historical financial and operating results and provides estimates of Bluestone's future financial and operating performance based on information currently available. Actual results will vary from estimates and the variances may be significant. Readers should be aware that historical results are not necessarily indicative of future performance.

Certain information set forth in this MD&A, including management's assessments of the Company's future plans and operations, contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Company's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of resource and reserve estimates, environmental risks, competition from other industry participants, the availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be inaccurate and, as such, undue reliance should not be placed on forward-looking statements. Bluestone's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do so, what benefits Bluestone will derive therefrom. Bluestone disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

Overview

Bluestone is development stage mining company focused on the development of its 100% owned Cerro Blanco gold-silver project, a proposed underground gold mining operation located in Jutiapa, Guatemala (the "Cerro Blanco Project" or the "Cerro Blanco Gold Project"). The Cerro Blanco Project is located in southeast Guatemala approximately 160 kilometers by road from the capital, Guatemala City. The Company's head office is located at 1020 – 800 West Pender Street, Vancouver, BC, V6C 2V6. The Company's common shares are listed on the TSX Venture Exchange ("TSXV") and trade under the symbol BSR.

During the period ended May 31, 2017, the Company consolidated its share capital on the basis of 5 old common shares for one new common share effective May 24, 2017. Outstanding stock options and warrants were adjusted by the consolidation ratio. All common shares and per share amounts in this MD&A have been retroactively restated to reflect the share consolidation.

Highlights

Acquisition of the Cerro Blanco Gold Project and the Mita Geothermal Project

On May 31, 2017, the Company completed the acquisition (the "Acquisition") of the Cerro Blanco Gold Project and the Mita Geothermal Project (as defined below) from Goldcorp Inc. ("Goldcorp"). Specifically, the Company acquired:

- (a) all the issued and outstanding shares (the "Entre Mares Share Purchase") of Entre Mares de Guatemala, Sociedad Anónima ("Entre Mares"), a corporation incorporated and existing under the laws of Guatemala, from Guatemala Holdings (Barbados) Limited ("Guatemala Holdings"), an indirect wholly-owned subsidiary of Goldcorp, and Goldcorp Holdings (Barbados) Ltd. ("Goldcorp Holdings" together with Guatemala Holdings, the "Vendors"), an indirect wholly-owned subsidiary of Goldcorp;
- (b) all the issued and outstanding shares (the "NRG Share Purchase") of Blue NRG Limited ("NRG"), a corporation incorporated and existing under the laws of Barbados and formerly known as Goldcorp NRG Limited, from Guatemala Holdings;
- (c) the aggregate debt (the "Debt Purchase") which Entre Mares owed to Goldcorp under two debt obligations, one denominated in United States dollars in the amount of US\$18,418,784 as at May 31, 2017 and one denominated in Canadian dollars in the amount of C\$190,043,924.83 as at May 31, 2017; and
- (d) a right of first refusal in respect of the assets of Goldcorp that are located on or in Goldcorp's Marlin mine located in municipality of San Miguel Ixtahuacan, Guatemala, which is expected to close in 2017 (the "ROFR").

Entre Mares is the 100% owner of the Cerro Blanco Project. NRG and Entre Mares are the registered and beneficial owners of all the issued and outstanding shares of Geotermia Oriental de Guatemala, Sociedad Anónima ("Geotermia"), a corporation incorporated and existing under the laws of Guatemala. Geotermia is the 100% owner of the Mita Geothermal project located in Jutiapa, Guatemala (the "Mita Geothermal Project"). The Mita Geothermal Project is a geothermal project located near the Cerro Blanco Project.

The Acquisition was carried out pursuant to the terms of a transaction agreement dated April 20, 2017, as subsequently amended on May 26, 2017, among the Company, Goldcorp and the Vendors (the "Transaction Agreement"). Under the terms of the Transaction Agreement, the Company agreed to complete the Acquisition for the following consideration:

- (a) a cash payment of \$17,900,000 to Goldcorp and its affiliates, as partial consideration for the Debt Purchase (the "Debt Purchase Payment" or "Closing Cash Payment");
- (b) a 1% net smelter returns royalty on the sale of gold and silver produced from the Cerro Blanco Project granted to Goldcorp as partial consideration for the Debt Purchase;
- (c) 3,099,160 special warrants of the Company issued to Goldcorp (the "Goldcorp Special Warrants"), which, effective June 20, 2017, automatically converted into 3,099,160 common shares in the capital of the Company; and
- (d) 258,805 common share purchase warrants of the Company issued to Goldcorp (the "Goldcorp Warrants"), with each Goldcorp Warrant entitling Goldcorp to acquire one common share in the capital of the Company at a purchase price of \$2.00 until May 31, 2019.

Acquisition of the Cerro Blanco Gold Project and the Mita Geothermal Project - Continued

The Company also agreed to make an additional cash payment as partial consideration for the Debt Purchase in the amount of \$15,000,000 to Goldcorp within six months of commencement of commercial production from a mine developed on the Cerro Blanco Project by Entre Mares or by an affiliate of Entre Mares. The Company made an additional cash payment to Goldcorp on May 31, 2017 in the amount of \$2,000,000 (the "Deposit") as a non-refundable deposit to be applied to the purchase price of assets of Goldcorp that are located on or in the Marlin Mine to be purchased by the Company pursuant to the ROFR.

The Closing Cash Payment and the payment of the Deposit were financed through the net proceeds of a brokered private placement completed by the Company on April 20, 2017 (the "Subscription Receipt Financing") pursuant to which 53,333,333 subscription receipts of the Company (the "Subscription Receipts") were issued at a price of C\$1.50 per Subscription Receipt for aggregate gross proceeds to the Company of C\$80,000,000 (\$59,202,842 at the May 31, 2017 USD/CAD exchange rate of 1.3513). Effective June 20, 2017, the Subscription Receipts were automatically converted into 53,333,333 common shares in the capital of the Company. See "Financing and Corporate – Subscription Receipt Financing" and "Subsequent Events – Filing of Prospectus and Issuance of Securities".

The following table summarizes the allocation of the purchase price and related acquisition costs to the fair value of the assets acquired and liabilities assumed of Entre Mares and NRG at the date of the Acquisition:

Purchase consideration	
Cash	\$ 17,900,000
Contingent consideration – <i>NSR</i>	5,546,849
Contingent consideration – <i>Commercial production</i>	7,178,000
Special Warrants	3,440,198
Consideration Warrants	129,259
Transaction costs	1,714,850
	\$ 35,909,156
Net identifiable assets acquired	
Cash and cash equivalents	\$ 339,890
Amounts receivable	5,933
Inventory	168,556
Property, plant and equipment	1,114,552
Exploration and evaluation assets	42,851,282
Accounts payable and accrued liabilities	(51,634)
Rehabilitation provision	(8,519,423)
	\$ 35,909,156

The consideration for the ROFR was not included in the purchase price allocation above as it has been accounted for as a separate transaction.

Financing and Corporate

On February 6, 2017, the Company appointed Mr. Keith Peck and Mr. Leo Hathaway to the Company's Board of Directors and accepted Mr. David Kelsch's resignation from his role as a director.

No common shares in the capital of the Company were issued during the six months ended May 31, 2017.

Working Capital Bridge Financing

On March 20, 2017, the Company closed its working capital bridge financing announced on February 7, 2017 and issued unsecured, interest-free convertible promissory notes (each, a "Note") raising gross proceeds of C\$3,829,075 (\$2,833,623 at the May 31, 2017 USD/CAD exchange rate of 1.3513). Effective June 20, 2017, the Notes automatically converted into 2,552,699 units (each, a "Unit"), with each Unit consisting of one common share in the capital of the Company and one-half of one warrant (each whole warrant, a "Note Warrant"). See "*Subsequent Events – Filing of Prospectus and Issuance of Securities*".

Each Note Warrant is exercisable into one common share in the capital of the Company at an exercise price of \$2.00 until June 20, 2019.

Subscription Receipt Financing

On April 20, 2017, the Company completed the Subscription Receipt Financing pursuant to which the Company issued 53,333,333 Subscription Receipts at a price of C\$1.50 for aggregate gross proceeds to the Company of C\$80,000,000 (\$59,202,842 at the May 31, 2017 USD/CAD exchange rate of 1.3513).

The Subscription Receipts were issued pursuant to the terms of a subscription receipt agreement (the "Subscription Receipt Agreement") dated April 20, 2017 among the Company, Cormark Securities Inc. (the "Lead Agent") and Computershare Trust Company of Canada, acting as subscription receipt agent (the "Subscription Receipt Agent") and pursuant to an agency agreement (the "Agency Agreement") dated April 20, 2017 among the Company, the Lead Agent, GMP Securities L.P., National Bank Financial Inc. and Haywood Securities Inc. (collectively, with the Lead Agent, the "Agents").

The Subscription Receipt Financing, less the Agents' reasonable costs and out-of-pocket expenses and reasonable legal fees and disbursements of the Agent's legal counsel incurred to April 20, 2017 (the "Escrowed Proceeds") were deposited in escrow with the Subscription Receipt Agent pending satisfaction of certain conditions (the "Escrow Release Conditions"), including, but not limited to, all conditions precedent to the completion of the Acquisition and for the transactions contemplated by the Acquisition (save solely for the payment of the purchase price thereof), having been completed on terms previously disclosed to, or waived on terms otherwise reasonably acceptable to, the Company and the Lead Agent and the receipt of certain other customary deliveries and closing requirements on or before 5:00 p.m. (Vancouver time) on August 21, 2017 (the "Escrow Release Deadline").

On May 31, 2017, the Escrow Release Conditions were satisfied and the Escrowed Proceeds and interest thereon were released to the Company, less the cash commission paid to the Agents' under the Subscription Receipt Financing pursuant to the terms of the Agency Agreement and certain remaining expenses of the Agents, which were released to the Agents.

Pursuant to the terms of the Subscription Receipt Agreement, since the Escrow Release Conditions were satisfied before the Escrow Release Deadline, each Subscription Receipt was automatically exercised, without any further payment or action on the part of the holder, for one common share in the capital of the Company effective June 20, 2017, being the third business day after the issuance of a final receipt for a short form prospectus qualifying the issuance of the such common shares in the provinces of British Columbia, Alberta and Ontario. See "*Subsequent Events – Filing of Prospectus and Issuance of Securities*".

Financing and Corporate - Continued

Lorito Holdings S.à.r.l. (“Lorito”) and Zebra Holdings and Investments S.à.r.l. (“Zebra”), two companies controlled by a trust settled by the late Adolf H. Lundin acquired an aggregate of 19,867,000 Subscription Receipts pursuant to the Subscription Receipt Financing. Accordingly, Lorito held 6,367,000 common shares in the capital of the Company and Zebra held 13,500,000 common shares in the capital of the Company effective June 20, 2017, representing approximately 10.1% and 21.3%, respectively, of the then issued and outstanding common shares of Bluestone, or approximately 31.4% in aggregate.

A table showing how the Company intends to use the financing is shown in the final short form prospectus, dated June 15, 2017. A copy of this final short form prospectus is available on SEDAR at www.sedar.com. As of May 31, 2017, there were no variances from the intended use as disclosed in this final short form prospectus.

Project Development

On February 7, 2017, the Company announced the results of a preliminary economic assessment and updated mineral resource estimate prepared in accordance with National Instrument 43-101 for the Cerro Blanco Project, which has an effective date of February 7, 2017, a report date of March 20, 2017 and a revised report date of June 2, 2017 (the “PEA”). A copy of the PEA is available on SEDAR at www.sedar.com. See “*Project Development Updates – Cerro Blanco Project*”.

During the six months ended May 31, 2017, the Company did not conduct any significant exploration programs on any of its key projects.

Subsequent Events***Appointment of President and Chief Executive Officer (“CEO”) effective August 1, 2017***

On June 8, 2017, the Company announced the appointment of Mr. Darren Klinck as the Company’s President and CEO effective August 1, 2017. Mr. Klinck is a graduate of the Haskayne School of Business at the University of Calgary and is a highly regarded mining executive with a broad range of international experience. Mr. Klinck was most recently Executive Vice President & Head of Corporate Development for OceanaGold Corporation responsible for overseeing the capital markets as well as the mergers and acquisitions strategy. Over the past ten years at OceanaGold, Mr. Klinck’s various responsibilities have also included oversight of project teams managing exploration, corporate social responsibility (CSR) and community engagement programs as well as extensive government relations activities.

Private Placement

On June 20, 2017, the Company completed a non-brokered private placement of 500,000 common shares (the “Loan Shares”) at C\$1.50 per Loan Share for gross proceeds of C\$750,000 with Darren Klinck, who has been appointed the President and CEO of the Company effective August 1, 2017; Peter Hemstead, the Chief Financial Officer of the Company; and David Gunning, the Senior Vice President of Operations of the Company (collectively, “Key Management”). In connection with the private placement and the Company’s management compensation plan, the Company entered into separate loan arrangements with each member of Key Management whereby the Company loaned Key Management an aggregate of C\$750,000 without interest (the “Loan”) to acquire the Loan Shares pursuant to the private placement, and Key Management pledged the Loan Shares to the Company as security for the Loan until the Loan Shares are sold by Key Management to the Company or are otherwise released to Key Management in accordance with the terms of the Company’s management compensation plan. The Loan is repayable upon the termination of Key Management’s employment with the Company until the earlier of 1) a change of control of the Company, 2) three years from the grant date of the Loan and 3) the commencement of commercial production at the Cerro Blanco Project, after which time the Loan may be forgiven at the request of Key Management.

Option Grants

The Company granted an aggregate of 4,935,000 stock options effective June 20, 2017 to certain directors, officers and consultants exercisable until June 20, 2020 at an exercise price of C\$1.50.

Subsequent Events - Continued*New Appointments to the Advisory Committee*

On June 13, 2017, the Company appointed William Lamb, Paul McRae and Zara Boldt to the Advisory Committee.

Mr. William Lamb has over 23 years in mining and operations in Canada and several Southern African countries. His background includes operational and project management in the precious metals, coal, chrome and diamond sectors. Mr. Lamb spent 13 years working across in Southern Africa and Canada focusing on heavy mineral concentration, project development and operational readiness.

Mr. Paul McRae has a distinguished reputation in project and construction management in the mining industry for both surface and underground projects. He is currently Senior Vice President Projects for Lundin Mining, supporting acquisitions and responsible for Lundin Mining's major projects. Mr. McRae is member of the board of Lundin Gold and Filo Mining, and past board member of Southern Hemisphere Mining. He was most recently responsible for the successful development of Lundin Mining Corporation's Eagle Mine in Northern Michigan. His track record includes on time/on budget project management of major underground investments for INCO including McCreedy East, Garson and Birch Tree projects, serving as Project Manager on the highly successful De Beers Victor Project in Northern Canada, and leadership of numerous other projects from conceptual through construction phases in Australia, Canada, Spain, Portugal and South America, over a career spanning more than 40 years.

Ms. Zara Boldt is a professional accountant (CPA, CGA) with over fifteen years of experience in the mineral exploration and development industry. Most recently, Ms. Boldt served as the CFO of Kaminak Gold Corporation, which was acquired by Goldcorp in 2016 in an all-share transaction valued at C\$520 million. Prior to Kaminak, she was Vice-President, Finance & CFO of Stornoway Diamond Corporation where she was a member of the senior management team responsible for arranging financing of approximately C\$946 million for the development of the Renard Diamond Mine in Quebec. Currently, Ms. Boldt serves as the CFO & Corporate Secretary for Strongbow Exploration Inc.

Filing of Prospectus and Issuance of Securities

On June 15, 2017, the Company filed a final short form prospectus dated June 15, 2017 (the "Prospectus") with the British Columbia, Alberta and Ontario Securities Commissions and obtained a final receipt in respect of the Prospectus dated the same date. The Prospectus qualified the issuance of 53,333,333 common shares in the capital of the Company which were issued effective June 20, 2017 upon the automatic exercise of 53,333,333 Subscription Receipts and the issuance of 2,552,699 Units (each consisting of one common share in the capital of the Company and one-half of one warrant) which were issued effective June 20, 2017 upon conversion of the Notes.

Effective June 20, 2017, 3,099,160 Goldcorp Special Warrants automatically converted into 3,099,160 common shares in the capital of the Company.

Resumption of Trading

The common shares in the capital of the Company recommenced trading on the TSXV at the opening of market on June 22, 2017. Trading in the Company's common shares had been halted since January 11, 2017 when the Company announced that it entered into a letter of intent with Goldcorp in respect of the Acquisition.

Results of Operations

On May 31, 2017, the Company completed the acquisition of 100% of the Cerro Blanco Project and Mita Geothermal Project from Goldcorp and its affiliates for total consideration of \$35,909,156. In addition, the Company acquired the ROFR on certain assets and equipment at Goldcorp's Marlin mine. The Acquisition has been accounted for as an acquisition of assets and assumption of liabilities. Further details are shown in the above "Highlights" section of the MD&A and in note 4 of the condensed interim consolidated financial statements for May 31, 2017.

Financial summary for the six months ended May 31, 2017

Total assets increased from \$22,617 as at November 30, 2016 to \$87,333,681 as at May 31, 2017 due to the Acquisition and Subscription Receipt Financing. The Company's cash increased from \$21,123 as at November 30, 2016 to \$36,986,173 as at May 31, 2017 (see "Liquidity and Capital Resources" section of MD&A below).

The Company's net loss for the six months ended May 31, 2017 totalled \$363,139 or \$0.09 per share as compared to a net loss of \$43,166 or \$0.01 per share in 2016. Significant operating expenditures and variances are as follows:

	Note	Six Months Ended		Increase
		May 31, 2017	May 31, 2016	(Decrease)
Advertising and promotion		\$ 4,108	\$ 227	\$ 3,881
Corporate listing and filing fees	2	17,651	6,672	10,979
Office and administration	2	21,508	1,706	19,802
Professional fees	2	24,322	1,723	22,599
Rent		1,903	13,923	(12,020)
Transfer agent fees		5,099	4,940	159
Property investigation	1	31,417	-	31,417
Wages and consulting fees	2	352,091	15,719	336,372
		\$ 458,099	\$ 44,910	\$ 413,189
Other (income)		(30,163)	(1,744)	(28,419)
Foreign exchange (gain)		(64,797)	-	(64,797)
Net loss		\$ 363,139	\$ 43,166	\$ 319,940

Notes:

1. Property investigation expenses consists primarily of travel and expense reimbursements for due diligence relating to the Acquisition.
2. Corporate listing, office and administration, professional fees and wages and consulting fees increased due to increased activities related to the Acquisition.

Summary of Quarterly Results

Quarterly results fluctuate depending on the timing of the granting and vesting of stock options, the write-off of exploration and evaluation assets, and future income tax recoveries resulting from the renunciation of flow through exploration expenditures.

The following table summarizes selected financial data reported by the Company for the quarter ended May 31, 2017 and the previous seven quarters. Prior period amounts shown have been restated for the change in presentation currency from Canadian dollars to U.S. dollars.

	May 31 17	Feb 28 17	Nov 30 16	Aug 31 16	May 31 16	Feb 29 16	Nov 30 15	Aug 31 15
	\$	\$	\$	\$	\$	\$	\$	\$
Current assets	41,367,847	1,554,893	22,617	33,984	50,582	82,895	104,395	123,730
Deposits	2,000,000	-	-	-	14,774	27,536	27,923	28,231
Property, plant and equipment	1,114,552	-	-	-	-	-	-	-
Exploration and evaluation assets	42,851,282	-	-	709,615	686,991	686,991	696,650	696,651
Total assets	87,333,681	1,554,893	22,617	743,599	752,347	797,422	828,968	848,612
Current liabilities	878,599	717,303	60,054	55,068	54,193	72,184	77,959	60,032
Share capital ⁽¹⁾	20,324,454	20,324,454	20,324,454	20,324,454	20,324,454	20,324,454	20,324,454	20,324,454
Loss from operations	(247,601)	(210,498)	(718,104)	(34,017)	(29,945)	(14,965)	(1,506,392)	(82,915)
Net loss	(152,641)	(210,498)	(718,104)	(32,940)	(28,201)	(14,965)	(1,500,711)	(89,915)
Basic and diluted loss per share	(0.04)	(0.05)	(0.17)	(0.01)	(0.00)	(0.01)	(0.35)	(0.02)
Weighted avg. shares	4,262,954	4,262,954	4,262,954	4,262,954	4,262,954	4,262,954	4,262,954	3,748,252

⁽¹⁾ On May 24th, 2017, the Company completed a 5 old for 1 new common share consolidation.

There are no seasonal fluctuations in the results for the presented periods. Current assets increased significantly in the quarter ended May 31, 2017 due to cash received from the Subscription Receipt Financing. Deposits of \$2,000,000 as at May 31, 2017 relate to the ROFR as part of the Acquisition. Significant increases in property, plant and equipment, exploration and evaluation assets, total assets and current liabilities in the quarter ended May 31, 2017 are due to the Acquisition.

Liquidity and Capital Resources

Six Months Ended May 31, 2017

Cash increased by \$36,965,050 during the period from \$21,123 as at November 30, 2016 to \$36,986,173 as at May 31, 2017.

Cash utilized in operating activities during the six months ended May 31, 2017 was \$83,356 (2016 - \$52,459).

Cash utilized in investing activities during the six months ended May 31, 2017 was \$21,274,960 (2016 - \$nil). The funds used were partial payments for the Acquisition.

During the six months ended May 31, 2017, the Company generated net cash proceeds of \$58,321,760 (2016 - \$nil) from loans and subscriptions activities which closed subsequent to period end.

During the six months ended May 31, 2017, the Company completed a 5 to 1 consolidation of all its issued and outstanding common shares. Therefore, as at May 31, 2017, share capital remained at \$20,324,454 comprised of 4,262,954 issued and outstanding common shares (November 30, 2016 - \$20,324,454 comprised of 4,262,954 shares outstanding). Reserves which arose from the recognition of the estimated fair value of stock options and warrants were \$10,661,001 (November 30, 2016 - \$7,091,544). As a result of the net loss for the six months ended May 31, 2017 of \$363,139 (year ended November 30, 2016 - \$794,210), the deficit at May 31, 2017 increased to \$29,944,315 from \$29,581,176 at November 30, 2016. The Company received \$59,202,842 from the Subscription Receipt Financing and \$2,833,623 from the working capital bridge financing, both of which are recorded in shareholders' equity. Accordingly, shareholders' equity on May 31, 2017 was \$65,210,810 compared to \$37,437 shareholders' deficiency at November 30, 2016.

At present, the Company's operations do not generate cash inflows and its financial success is dependent on management's ability to advance the Cerro Blanco Project and Mita Geothermal Project. 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, from the exercise of convertible securities and from optioning its exploration and evaluation assets. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for mineral exploration investment, the Company's track record, and the experience and calibre of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activities. Management believes it will be able to raise equity capital as required in the long term, but recognizes there will be risks involved that may be beyond their control.

Project Development Updates

Cerro Blanco Project

The Company has one principal property interest, namely the Cerro Blanco Gold Project, a proposed underground gold mining operation located in Guatemala.

On February 7, 2017, the Company announced the results of the PEA in respect of the Cerro Blanco Project, which is available on SEDAR website at www.sedar.com.

The Company's strategic plan is to focus on developing its primary asset, the Cerro Blanco Project. Within nine to twelve months of the completion of the Acquisition, the Company's objectives and milestones will center on the development of a detailed strategy for the prompt advancement towards the completion of a feasibility study and a construction decision for the Cerro Blanco Project. The feasibility study will further detail the project schedule and engineering design as well as increase geological confidence and continuity for mineral resource definition and possible expansion, and improve the accuracy of the economics of the Cerro Blanco Project.

Mita Geothermal Project

The 100% owned Mita Geothermal Project is a geothermal resource located near the Cerro Blanco Project. The site is 5 km from the Pan American Highway near the town of Asuncion Mita, in the region of Jutiapa in Guatemala near the border with El Salvador. In November of 2015, the Government of Guatemala granted Geotermia a 50 year license to build and operate a geothermal plant.

The Company holds a 100% interest in the Mita Geothermal Project. The Company is evaluating various options to monetize the Mita Geothermal Project.

Mohave Copper Porphyry Project

On November 1, 2010, Bluestone completed the acquisition of private company Mohave Resources Inc. (formerly Bluestone Resources Inc., a private company), which includes its 100% owned Mohave Copper-Moly-Silver Porphyry Project (the "Mohave Project") in Arizona. The Mohave Project is located in north-western Arizona and is interpreted as a large-scale, copper porphyry deposit with silver and molybdenum by-products. The Mohave Project is subject to a 3% net smelter return royalty payable in cash to the vendors.

As at November 30, 2016, the Company impaired the carrying value of the property to \$nil as management has no further plans to continue exploration of the property at this time.

Risks and Uncertainties

Operations in Guatemala

The Cerro Blanco Project and the Mita Geothermal Project 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 the Cerro Blanco Project and the Mita Geothermal Project. Such adverse effects could result from the efforts of third parties to manipulate local populations into encroaching on the mine lands, challenging the boundaries of such land, impeding mine activities through roadblocks or other public protests or attacks against mine assets or personnel. Bluestone's business may be exposed to a number of risks and uncertainties, including terrorism and hostage taking, military repression, extortion, expropriation or nationalization without adequate compensation, labour unrest, high rates of inflation, arbitrary changes to royalty and tax regimes, extreme fluctuations in currency exchange rates, volatile local, political and economic developments, difficulty with understanding and complying with the regulatory and legal framework respecting the ownership and maintenance of mineral properties, surface rights, mines and mining operations, and difficulty obtaining key equipment and components for equipment.

Licenses and Title to Assets

The validity of the licenses related to the Cerro Blanco Project and the Mita Geothermal Project 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 the Cerro Blanco Project and the Mita Geothermal Project. 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 the Cerro Blanco Project and the Mita Geothermal Project. There is no guarantee that title to the Cerro Blanco Project and the Mita Geothermal Project or surface rights will not be challenged or impugned. Bluestone's properties may be subject to prior unregistered liens, agreements or transfers, indigenous land claims or undetected title defects.

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

Obtaining and Renewing Licenses and Permits

In the ordinary course of business, the Company will be required to obtain and renew governmental licenses or permits for the development, construction and commencement of commercial production at Cerro Blanco and Mita Geothermal and other potential projects. Obtaining or renewing 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 obtain and renew licenses or permits are contingent upon many variables not within the Company's control, including local politics, legal challenges and the interpretation of applicable requirements implemented by the licensing or permitting process which could prevent or delay the development or impede the operation of a mine, which could adversely impact the Company's operations and profitability.

Environmental Hazards

All phases of Bluestone's future operations with respect to the Cerro Blanco Project and the Mita Geothermal Project 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 the Cerro Blanco Project and the Mita Geothermal Project. 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. Under the Acquisition, Bluestone has agreed to assume all environmental liabilities arising from past, present and future activities on the Cerro Blanco Project and the Mita Geothermal Project.

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, and 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, such as El Salvador's recent ban on mining for gold and other metals aimed at protecting El Salvador's water reservoirs) 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 the Cerro Blanco Project and the Mita Geothermal Project. 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. In particular, a 2017 decision of the British Columbia Court of Appeal found that a lawsuit by a group of Guatemalan men against a British Columbia mining company operating in Guatemala alleging that they were shot by the mining company's private security guards can be heard in British Columbia. 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 NGOs in Guatemala have been vocal and negative with respect to mining activities in Guatemala and the Cerro Blanco Project in particular. These communities and NGOs have taken such actions as protests, road closures, work stoppages and initiating lawsuits for damages. The Cerro Blanco Project has also triggered opposition in El Salvador on the basis that the Cerro Blanco Project 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 the Cerro Blanco Project and the Mita Geothermal Project and on Bluestone's financial position, cash flow and results of operations.

Uncertainty of Development Projects

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

Estimates of Mineral Reserves and Resources

The mineral resources estimates described in the Company's PEA are only estimates and no assurance can be given that any particular level of recovery of minerals will be realized or that an identified mineral resource will ever qualify as a commercially mineable (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

Estimates of Mineral Reserves and Resources - Continued

laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. The estimated mineral resources described in the PEA should not be interpreted as assurances of mine life or of the profitability of future operations.

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

Mineral project development is a speculative business. Mining operations generally involve a high degree of risk which, even with a combination of experience, knowledge and careful evaluation, may not be able to be overcome. The business of mining is subject to a variety of risks, such as industrial accidents, flooding, environmental hazards such as fires, technical failures, labour disputes and other accidents at the mine facilities, which could materially adversely affect future mining operations and Bluestone's financial position. Such occurrences, against which Bluestone cannot or may elect not to insure, may delay production, increase production costs or result in liability. The payment of such liabilities may have a material adverse effect on Bluestone's financial position. Underground mining operations such as those proposed at the Cerro Blanco Project 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.

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 and mining 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

Bluestone has a limited history of operations and there is no reasonable prospect for the generation of material revenue by the Company at least until such time as commercial production of gold commences at Cerro Blanco, which is not expected to occur before 2019. The Company is subject to many risks, including under-capitalization, cash shortages, and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on securityholders' investment and the likelihood of success must be considered in light of its early stage of operations. Additionally, the Company has no intention of paying any dividends in the near future. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing, if able to be obtained, will be favourable.

Substantial Capital Requirements

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

Acquisition Risk

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

Current Global Financial Conditions

Current global financial conditions for mining companies have been affected by a prolonged decline in commodities prices. Access to public financing has also been negatively impacted by the prolonged decline in commodities prices and the resulting decrease in the values of the securities of many mining companies. These factors may impact the ability of Bluestone to obtain equity or debt financing in the future on terms favourable to Bluestone, or at all. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such decreased levels of commodity prices continue, Bluestone's operations could be adversely impacted and the trading price of the securities of Bluestone may be adversely affected.

Control Person of the Company

Certain shareholders exercise control or direction over an aggregate of approximately 31.4% 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.

Conflicts of Interest

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

Uninsurable Risks

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

Infrastructure

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

Price Volatility of Publicly Traded Securities

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

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.

There May Be Undisclosed Risks and Liabilities Relating to the Acquisition

While the Company conducted substantial due diligence of Entre Mares and Geothermia and their respective operations, including the Cerro Blanco mine and the Mita Geothermal Project, in connection with the Company's evaluation of the Acquisition, there are risks inherent in any acquisition. Specifically, there could be unknown or undisclosed risks or liabilities relating to Entre Mares and Geothermia or the Cerro Blanco mine and the Mita Geothermal Project for which the Company is not sufficiently indemnified pursuant to the provisions of the transaction agreement. Any such unknown or undisclosed risks or liabilities could materially and adversely affect the Company's financial performance and results of operations.

The Company could encounter additional transaction and integration related costs or other factors such as the failure to realize all of the benefits anticipated in the Acquisition. All of these factors could cause dilution to the Company's earnings per share or decrease or delay the anticipated accretive effect of the Acquisition and cause a decrease in the market price of the common shares.

The Anticipated Benefits of the Acquisition May Not Be Realized

There can be no assurance that management of the Company will be able to fully realize the expected benefits of the Acquisition, including from a margin, accretion and cash flow perspective. There is a risk that some or all of the expected benefits will fail to materialize, or may not occur within the time periods anticipated by management of the Company. The realization of such benefits may be affected by a number of factors, many of which are beyond the control of the Company.

The Successful Development of the Cerro Blanco Mine Cannot Be Guaranteed

The Acquisition was completed on May 31, 2017. The completion of the Acquisition poses additional risks to the Company's business. The success of the Acquisition will depend, in part, on the ability of the Company to realize the anticipated benefits of the Acquisition, including developing the Cerro Blanco mine pursuant to the recommendations of the PEA and proceeding directly to feasibility stage engineering at Cerro Blanco. 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 the Cerro Blanco mine or that the Acquisition will ultimately benefit the Company. Any failure to successfully develop the Cerro Blanco mine or failure to achieve the anticipated benefits of the Acquisition could have a material adverse effect on the Company's business and results of operations.

Additional Disclosure for Venture Issuers without Significant Revenue

Additional disclosure concerning Bluestone's general and administrative expenses and exploration and evaluation assets is provided in the Company's condensed interim consolidated statement of loss and comprehensive loss and note 3 in its condensed interim consolidated financial statements for the six months ended May 31, 2017 that are available on SEDAR at www.sedar.com.

Outstanding Share Data

Bluestone's authorized capital consists of an unlimited number of common shares and an unlimited number of preferred shares without par value. No preferred shares have been issued to date. The following common shares, options and share purchase warrants are outstanding as at July 19, 2017:

	Number of Shares	Exercise Price	Expiry Date
Issued and Outstanding Common Shares	63,805,560		
Stock options	4,935,000		
Warrants	1,276,342	\$ 2.00	June 20, 2019
	258,805	\$ 2.00	May 31, 2019
	596,000	\$ 0.35	June 2, 2020
	2,256,506	\$ 0.35	June 4, 2020
	796,656	\$ 0.35	July 7, 2020
Fully Diluted at July 19, 2017	73,924,869		

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 as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel for the six months ended May 31, 2017 was \$221,751 (2016 - \$nil).

Related party transactions

The balance payable to related parties as at May 31, 2017 was \$44,420 (November 30, 2016 - \$22,186), and is included in accounts payable and accrued liabilities. These payables are unsecured, non-interest bearing and are expected to be repaid under normal trade terms.

During the six months ended May 31, 2017, the Company received a loan in the amount of \$10,513 from John Robins, a director and officer of the Company, which was non-interest bearing, unsecured and had no fixed terms of repayment. Subsequent to May 31, 2017, the loan was settled in full.

These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

Subsequent to May 31, 2017, the Company entered into separate loan arrangements with each member of Key Management. Further details are shown in the above "*Subsequent Events – Private Placement*" section of the MD&A.

Commitments

The Company does not have any commitments as of May 31, 2017 and as of the date of this MD&A.

Financial Instruments and Other Instruments

The fair value of the Company's cash, amounts receivable, and accounts payable and accrued liabilities, and loans payable approximate carrying value which is the amount recorded on the consolidated statement of position due to their short-term nature. The Company does not have other financial instruments measured at fair value.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to its cash and amounts receivable. Management believes that the credit risk concentration with respect to these financial instruments is remote as the balances consist primarily of amounts on deposit with a major financial institution and amounts receivable from the Government of Canada. The maximum exposure to credit risk as at May 31, 2017 was \$37,051,038 (November 30, 2016 - \$22,534).

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at May 31, 2017, the Company had a cash balance of \$36,986,173 (November 30, 2016 - \$21,123) to settle current liabilities of \$878,599 (November 30, 2016 - \$60,054). All of the Company's financial liabilities are subject to normal trade terms.

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 price risk.

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. A 1% change in interest rates would not have a significant impact on the Company's comprehensive loss for the period.

(b) Foreign currency risk

The Company is exposed to foreign currency risk in connection with its Canadian dollar denominated financial instruments. A 10% fluctuation in the C\$/US\$ rate would result in a \$3.22 million increase/decrease in comprehensive loss.

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of resources, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Critical Accounting Policies and Estimates***Basis of preparation and accounting policies***

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

The accounting policies applied in the preparation of the Company's condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended November 30, 2016, except those discussed in note 2(b) and note 3 of the Company's condensed interim consolidated financial statements for three and six months ended May 31, 2017.

Critical 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 judgments and estimates applied in the preparation of our condensed interim consolidated financial statements for the three and six months ended May 31, 2017, are consistent with those applied and disclosed in note 2(d) to the Company's audited consolidated financial statements for the year ended November 30, 2016, other than those discussed in note 2(c) of the Company's condensed interim consolidated financial statements for three and six months ended May 31, 2017.

New Standards and Interpretations Not Yet Adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB. The following have not yet been adopted by the Company and are being evaluated to determine their impact:

- IFRS 9, *Financial instruments*: New standard that replaces IAS 39, *Financial instruments: recognition and measurement*, for classification and measurement, effective for annual periods beginning on or after January 1, 2018.
- IFRS 15, *Revenue from contracts with customers*: New standard to establish principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers, effective for annual periods beginning on or after January 1, 2017.
- IFRS 16, *Leases*: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.

Approval

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

Additional Information

Additional Information relating to Bluestone, including Bluestone's Amended and Restated Annual Information Form for the year ended November 30, 2016 dated June 2, 2017, is on SEDAR at www.sedar.com or can be obtained by contacting:

Bluestone Resources Inc.
1020 – 800 West Pender Street
Vancouver, BC CANADA
V6C 2V6
www.bluestonerresources.ca
Email: info@bluestonerresources.ca