Bluestone

RESOURCES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Nine Months Ended August 31, 2017 and 2016

(Unaudited)

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

	Notes	August 31, 2017	November 30, 2016 (Restated – Notes 3 & 15)	December 1, 2015 (Restated – Notes 3 & 15)
Current assets				
Cash and cash equivalents		**$ 35,286,636**	$ 21,123	$ 96,732
Accounts receivable		**120,022**	1,411	5,790
Prepaid expenses		**262,337**	83	1,873
Inventory		**147,522**	—	—
		35,816,517	22,617	104,395
Non-current assets				
Restricted cash	5	**1,239,356**	—	—
Deposits	6	**1,420,000**	—	27,923
Property, plant and equipment	6	**1,706,290**	—	—
Exploration and evaluation assets	7	**42,851,282**	—	696,650
Total assets		**$ 83,033,445**	$ 22,617	$ 828,968
Current liabilities				
Accounts payable and accrued liabilities	8	**$ 568,872**	$ 60,054	$ 77,959
		568,872	60,054	77,959
Non-current liabilities				
Contingent consideration	4,9	**12,757,327**	—	—
Rehabilitation provisions	10	**7,718,613**	—	—
Total liabilities		**21,044,812**	60,054	77,959
Shareholders' equity				
Share capital	11	**81,225,484**	20,324,454	20,324,454
Reserves		**8,379,743**	7,091,544	7,091,544
Accumulated other comprehensive income		**4,614,673**	2,127,741	2,121,977
Deficit		**(32,231,267)**	(29,581,176)	(28,786,966)
Total shareholders' equity		**61,988,633**	(37,437)	751,009
Total liabilities and shareholders' equity		**$ 83,033,445**	$ 22,617	$ 828,968

Nature of operations and going concern *(note 1)*

Approved on October 23, 2017 on behalf of the Board of Directors:

"Keith Peck"	*"James Paterson"*
Keith Peck, Director	James Paterson, Director

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

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

	Notes	Three Months Ended August 31, 2017	Three Months Ended August 31, 2016 (Restated – Notes 3 & 15)	Nine Months Ended August 31, 2017	Nine Months Ended August 31, 2016 (Restated – Notes 3 & 15)
Expenses					
Accounting and legal		**$ 108,321**	$ 29	**$ 132,643**	$ 1,763
Accretion		**95,248**	—	**95,248**	—
Advertising and promotion		**22,034**	385	**26,142**	612
Corporate listing and filing fees		**13,283**	—	**30,934**	6,661
Exploration and evaluation expenses	7	**1,150,031**	8,009	**1,150,031**	8,009
Office and administration		**156,766**	129	**182,047**	1,835
Property investigation		**—**	—	**27,644**	—
Rent		**14,312**	15,745	**16,215**	29,668
Share-based compensation		**674,279**	—	**674,279**	—
Transfer agent fees		**5,101**	1,628	**10,200**	6,568
Wages and consulting fees		**307,200**	8,092	**659,291**	23,811
		(2,546,575)	(34,017)	**(3,004,674)**	(78,927)
Interest income		**85,695**	—	**115,858**	—
Other income		**—**	1,077	**—**	2,821
Foreign exchange gain		**173,928**	—	**238,725**	—
Net (loss)		**(2,286,952)**	(32,940)	**(2,650,091)**	(76,106)
Translation adjustment		**2,481,468**	(2,099)	**2,486,932**	13,628
Comprehensive income (loss)		**$ 194,516**	$ (35,039)	**$ (163,159)**	$ (62,478)
Weighted average number of common shares outstanding – basic and diluted		**50,852,838**	4,262,954	**19,906,273**	4,262,954
Basic and diluted (loss) per common share		**$ (0.04)**	$ (0.01)	**$ (0.13)**	$ (0.02)

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

		Share capital					
	Notes	**Shares**	**Amount**	**Reserves**	**Accumulated other comprehensive income**	**Deficit**	**Total shareholders' equity**
Balance, December 1, 2015	15	4,262,954	$ 20,324,454	$ 7,091,544	$ 2,121,977	$ (28,786,966)	$ 751,009
Income (loss) for the period	15	—	—	—	13,628	(76,106)	(62,478)
Balance, August 31, 2016		4,262,954	$ 20,324,454	$ 7,091,544	$ 2,135,605	$ (28,863,072)	$ 688,531
Balance, December 1, 2016	15	4,262,954	$ 20,324,454	$ 7,091,544	$ 2,127,741	$ (29,581,176)	$ (37,437)
Private placements	11	**55,886,032**	**57,401,471**	**525,633**	**—**	**—**	**57,927,104**
Shares issued for limited recourse loans	11	**500,000**	**565,312**	**—**	**—**	**—**	**565,312**
Reduction of share capital for outstanding limited recourse loans	11	**—**	**(565,312)**	**—**	**—**	**—**	**(565,312)**
Consideration warrants issued	4	**—**	**—**	**129,259**	**—**	**—**	**129,259**
Special warrants issued	4	**—**	**—**	**3,440,198**	**—**	**—**	**3,440,198**
Share-based compensation	11	**—**	**40,973**	**633,306**	**—**	**—**	**674,279**
Exercise of warrants	11	**3,166,574**	**3,458,586**	**(3,440,197)**	**—**	**—**	**18,389**
Income (loss) for the period		**—**	**—**	**—**	**2,486,932**	**(2,650,091)**	**(163,159)**
Balance, August 31, 2017		**63,815,560**	**$ 81,225,484**	**$ 8,379,743**	**$ 4,614,673**	**$ (32,231,267)**	**$ 61,988,633**

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

	Notes		Nine Months Ended August 31, 2017		Nine Months Ended August 31, 2016 (Restated – Notes 3 & 15)
Cash flows used in operating activities					
Net (loss) for the period		$	(2,650,091)	$	(76,106)
Accretion expense			95,248		—
Depreciation			116,629		—
Share-based compensation			674,279		—
Change in restoration provision estimate			(863,580)		—
Non-cash foreign exchange (gain)			(312,168)		—
Changes in non-cash working capital:					
Accounts receivable			(112,361)		5,019
Prepaid expenses			(252,294)		1,873
Inventory			21,035		—
Deposits			—		27,923
Accounts payable and accrued liabilities			438,423		(22,891)
Cash (used) in operating activities			(2,844,880)		(64,182)
Cash flows from investing activities					
Cash paid on Acquisition	4		(17,900,000)		—
Cash acquired in Acquisition	4		339,890		—
Acquisition costs	4		(1,714,850)		—
Purchase of plant and equipment	6		(708,366)		—
Deposit on Marlin mine assets	6		(1,420,000)		—
(Increase) in restricted cash			(1,237,425)		—
Interest received			113,533		—
Cash (used) in investing activities			(22,527,218)		—
Cash flows from financing activities					
Proceeds from private placements	11		62,036,465		—
Private placement fees	11		(4,108,748)		—
Proceeds from exercises of warrants	11		18,387		—
Cash generated by financing activities			57,946,104		—
Effects of foreign exchange rate changes on cash and cash equivalents			2,691,507		663
Increase (decrease) in cash and cash equivalents			35,265,513		(63,519)
Cash and cash equivalents, beginning of the period			21,123		96,732
Cash and cash equivalents, end of the period		$	35,286,636	$	33,213

Non-cash transactions					
Issuance of common shares for limited recourse loans		$	565,312	$	—
Transfer of reserve on exercise of warrants			3,440,198		—

1. Nature of Operations and Going Concern

a) Nature of operations

Bluestone Resources Inc. ("Bluestone" or the "Company"), was incorporated on November 7, 2000 under the Business Corporations Act (Alberta) and continued into British Columbia on June 13, 2005, and is a development stage resource company focused on the development of its 100% owned Cerro Blanco Gold project and Mita Geothermal project, both located in Guatemala. The Company's head and registered office is located at Suite 1020, 800 West Pender Street, Vancouver, BC, V6C 2V6. The Company is listed on the TSX Venture Exchange and trades under the symbol BSR.

b) Going concern

These condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to continue its operations for at least the next twelve months and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has a history of losses with no revenues and has working capital of $35,247,645 as at August 31, 2017. Within the next twelve months, Bluestone's objectives center on the development of a detailed strategy for advancing the completion of a feasibility study and a construction decision for the Cerro Blanco Gold project and further economic assessment of the Mita Geothermal project. 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. The Company has sufficient working capital to maintain its planned operations and its activities for the next fiscal year due to the recent financing (notes 4 & 11).

These condensed interim consolidated financial statements do not include any adjustments relating to the recorded amounts and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. Significant Accounting Policies

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 November 30, 2016.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("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 condensed interim consolidated financial statements were authorized for issue by the Board of Directors on October 23, 2017.

The accounts of Entre Mares de Guatemala S.A. and Blue NRG Ltd. have been consolidated from the date of acquisition on May 31, 2017 (note 4). For all periods presented, these condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation. A wholly owned subsidiary is an entity in which the Company has 100% control, directly or indirectly, where control is defined as the power to govern the financial and operating policies of an enterprise to obtain benefits from its activities.

b) New accounting policies

On May 31, 2017, the Company adopted the following new accounting policies:

Inventory

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

2. Significant Accounting Policies (cont'd)

Exploration and evaluation assets

Before legal rights to explore a property have been acquired, costs are expensed as incurred. Costs related to the acquisition of exploration and evaluation assets are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and depreciated using the unit of production method. If, after management review, it is determined that capitalized acquisition costs are not recoverable over the estimated economic life of the property, the property is abandoned or management deems there to be an impairment in value, the property is written down to its net realizable value.

Costs related to the exploration and evaluation of mineral properties are recognized in profit or loss as incurred. Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the mineral interest. If payments received exceed the capitalized cost of the mineral interest, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and evaluation, and future profitable production or proceeds from the disposition thereof.

On May 31, 2017, the Company changed its accounting policy related to exploration and evaluation assets (note 3).

Property, plant and equipment

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

Plant and equipment are depreciated on a straight-line over estimated lives of 3 - 13 years.

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

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

2. Significant Accounting Policies (cont'd)

Rehabilitation provisions

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

The site restoration provision at the date of the consolidated statement of financial position represents management's best estimate of the present value of the future site restoration costs required. Changes to estimated future costs are recognized in the statement of financial position by adjusting the site restoration provision and associated asset. To the extent that the site restoration provision was created due to exploration activities which do not yet qualify for capitalization, the amount of the associated asset is reduced immediately by a charge to exploration expenses for the same amount.

Contingent consideration

In an asset acquisition, the Company recognizes a contingent consideration at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39, *Financial instruments: recognition and measurement* ("IAS 39"), is measured at fair value with changes in fair value recognized either in profit or loss, or as a change to other comprehensive income ("OCI"). If the contingent consideration is not within the scope of IAS 39, it is measured at fair value in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

c) New significant estimates and judgments

The following are the new critical judgments, estimates and assumptions since the Company's last annual financial statements that the Company has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the condensed interim consolidated financial statements:

<u>Estimates</u>

Contingent consideration

In estimating the fair value of the contingent consideration (notes 4 & 9), the Company makes estimates at each reporting period considering different scenarios of projected production from the Cerro Blanco Gold project, the number of years over which royalties are expected to occur, the range of royalties projected, the probability and weight of each scenario and the discount rate.

2. Significant Accounting Policies (cont'd)

Fair value of financial instruments

The Company uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available, including the contingent consideration associated with the acquisition of the Cerro Blanco Gold and Mita Geothermal projects in Guatemala (collectively, the “Acquisition”) in note 4. In applying the valuation techniques, the Company makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, the Company uses its best estimate about the assumptions that market participants would make. The assumptions used in determining the fair value of the Company’s contingent consideration are disclosed in note 9.

<u>Judgments</u>

Determination of functional currency of acquired subsidiaries

In accordance with IAS 2, *The effects of changes in foreign exchange rates*, management determined that the functional currency of the companies acquired in the Acquisition (note 4) is the United States dollar as this is the currency of the primary economic environment in which the companies operate.

Purchasing a set of assets and liabilities

Determination of whether a set of assets acquired and liabilities assumed constitute the acquisition of a business or asset may require the Company to make certain judgments as to whether the assets acquired and liabilities assumed include the inputs, processes and outputs necessary to constitute a business as defined in *IFRS 3, Business combinations*. If an acquired set of assets and liabilities includes goodwill, the set is presumed to be a business. Based on an assessment of the relevant facts and circumstances, the Company concluded that the Acquisition disclosed in note 4 shall be accounted for as an acquisition of assets.

c) 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, 2018.
- 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.

3. Changes in Accounting Policies

Exploration and evaluation assets

With the completion of the Acquisition on May 31, 2017 (note 4), management revisited the treatment of exploration costs and concluded that, in accordance with IFRS 6, *Exploration for and evaluation of mineral resources*, the change in accounting policy from capitalizing to expensing exploration and evaluation expenditures makes the financial statements more relevant to the economic decision-making needs of its users.

The Company's exploration expenditures for year ended November 30, 2016, and on a go forward basis, will be charged to the consolidated statement of loss and comprehensive loss in the period incurred until it has been determined that a property has economically recoverable reserves, in which case subsequent exploration and development expenditures are capitalized.

Due to the change in accounting policy, the Company has restated the comparative financial information on the consolidated statements of financial position for the years ended November 30, 2016 and 2015 and the comparative financial information on the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the three and nine months ended August 31, 2016.

The Company will continue to capitalize the initial acquisition costs related to exploration and evaluation properties.

Change in currency presentation

With the Company's Guatemalan operations having the United States dollar as their functional currency, the Company has decided to change its presentation currency from the Canadian dollar to the United States dollar to better reflect the operations of the consolidated operations. The change in the financial statement presentation currency is considered an accounting policy change and has been accounted for retrospectively. For periods prior to December 1, 2016, the statements of financial position for each period presented have been translated from the Canadian dollar functional currency to the new United States dollar presentation currency at the rate of exchange prevailing at the respective financial position date with the exception of equity items, which have been translated at accumulated historical rates from the Company's date of incorporation. The statements of operations and comprehensive loss were translated at the average exchange rates for the reporting period, or at the exchange rate prevailing at the date of transactions. Exchange differences arising on translation from the Canadian dollar functional currency to the United States dollar presentation currency have been recognized in other comprehensive income and accumulated as a separate component of equity.

The Company has presented a third statement of financial position as at December 1, 2015 without the related notes except for the disclosure requirements outlined in IAS 1, *Presentation of Financial Statements*. In addition, the comparative figures on the statement of operations were amended to conform to the current presentation.

The effects of the changes in accounting policies are reflected in note 15.

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

On May 31, 2017, the Company completed the transaction set out in a transaction agreement with Goldcorp Inc. (“Goldcorp”) and its affiliates and acquired 100% of the Cerro Blanco Gold project located in Guatemala, which was owned by Goldcorp’s indirect wholly-owned subsidiary Entre Mares de Guatemala S.A. (“Entre Mares”), and the Mita Geothermal project located in Guatemala, which was owned by Goldcorp’s indirect wholly-owned subsidiary, Blue NRG Limited (“NRG”). In addition, the Company acquired a right of first refusal (“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.

Pursuant to the Acquisition, the Company acquired:

(i) all of the outstanding intercompany debt owed from Entre Mares to Goldcorp;
(ii) all of the issued and outstanding shares of Entre Mares and, consequently, a 100% interest in the Cerro Blanco Gold project;
(iii) all of the issued and outstanding shares of NRG and, consequently, a 100% interest in the Mita Geothermal project; and
(iv) a ROFR on the assets, including the mining fleet, processing plant, and other equipment related to Goldcorp’s Marlin mine in Guatemala once mining and processing activities cease (the "Marlin Equipment ROFR").

The aggregate purchase consideration for the Acquisition consists of:

(i) $17,900,000 cash;
(ii) $2,000,000 cash as a non-refundable deposit to be applied to the purchase price of Marlin equipment purchased under the Marlin Equipment ROFR;
(iii) a 1% net smelter returns (“NSR”) royalty on the sale of gold and silver produced from the Cerro Blanco Gold project (the “Contingent Consideration – NSR”)(note 9);
(iv) a $15,000,000 cash payment to Goldcorp within six months of commencement of commercial production at the Cerro Blanco Gold project (the “Contingent Consideration – Commercial Production”)(note 9);
(v) 3,099,160 special warrants (note 11) of the Company (the “Special Warrants”), each entitling Goldcorp to acquire one common share of the Company without further payment or action; and
(vi) 258,805 common share purchase warrants (note 11) of the Company (the “Consideration Warrants). Each Consideration Warrant will be exercisable into one common share at an exercise price of $2.00 until May 31, 2019.

In connection with the Acquisition, the Company completed a private placement pursuant to which the Company issued 53,333,333 subscription receipts at a price of C$1.50 per subscription receipt (note 11) for gross proceeds of C$80,000,000 with each subscription receipt entitling the holder thereof to receive one common share of the Company. On June 20, 2017, the subscription receipts were automatically converted and the underlying common shares of the Company were issued.

(Expressed in United States dollars - Unaudited)

4. Acquisition of Cerro Blanco Gold Project and Mita Geothermal Project (cont'd)

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 acquisition:

Cash	$	17,900,000
Contingent consideration – NSR		5,546,849
Contingent consideration – Commercial production		7,178,000
Special Warrants		3,440,198
Consideration Warrants		129,259
Transaction costs		1,714,850
Total consideration	**$**	**35,909,156**

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)
Net identifiable assets acquired	**$**	**35,909,156**

The value of $42,851,282 for the exploration and evaluation assets was derived by the purchase price amount of $35,909,156, plus the net liabilities assumed of $6,942,126 (which includes cash, receivables, inventory, and property, plant and equipment acquired, less accounts payable and accrued liabilities and the rehabilitation provision assumed).

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

5. Restricted Cash

Restricted cash of $1,239,356 as at August 31, 2017 (November 30, 2016 - $nil; December 1, 2015 - $nil) relates to a term deposit provided as cash collateral for environmental bonding with the Ministry of Environment in Guatemala.

(Expressed in United States dollars - Unaudited)

6. Property, Plant and Equipment

	Land	Plant and equipment	Total
Cost			
Balance, December 1, 2015, and November 30, 2016	$ —	$ —	$ —
Acquisition of the Cerro Blanco Gold and Mita Geothermal projects (note 4)	907,858	206,694	1,114,552
Additions [1]	—	708,367	708,367
Balance, August 31, 2017	**907,858**	**915,061**	**1,822,919**
Accumulated depreciation			
Balance, December 1, 2015, and November 30, 2016	—	—	—
Charge for the period	—	(116,629)	(116,629)
Balance, August 31, 2017	**—**	**(116,629)**	**(116,629)**
Net book value at August 31, 2017	**$ 907,858**	**$ 798,432**	**$ 1,706,290**

[1] Additions includes $580,000 of assets received from Goldcorp's Marlin mine in relation to the $2,000,000 deposit under the Marlin Equipment ROFR (note 4). As at August 31, 2017, there was $1,420,000 of the deposit remaining.

7. Exploration and Evaluation Assets and Expenses

The following provides a summary of the costs capitalized and written off with respect to our exploration and evaluation assets:

	Nine Months Ended August 31, 2017	Fiscal Year Ended November 30, 2016
Opening balance	**$ —**	$ 696,650
Acquisition of the Cerro Blanco Gold and Mita Geothermal projects (note 4)	**42,851,282**	—
Impairment of exploration and evaluation asset	**—**	(696,650)
Ending balance	**$ 42,851,282**	$ —

As at November 30, 2016, the Company impaired the carrying value of the Mohave Copper-Moly-Silver Porphyry project in Arizona to $nil as management had no further plans to continue exploration of the property.

(Expressed in United States dollars - Unaudited)

7. Exploration and Evaluation Assets and Expenses (cont'd)

Exploration and evaluation expenses for the three and nine months ended August 31, 2017 and 2016 were for the following:

	Three Months Ended August 31, 2017	Three Months Ended August 31, 2016	**Nine Months Ended August 31, 2017**	Nine Months Ended August 31, 2016
Wages and contractors	**$ 856,731**	$ —	**$ 856,731**	$ —
Fuel and electricity	**298,210**	—	**298,210**	—
Maintenance and repairs	**261,830**	—	**261,830**	—
Accounting and legal	**206,586**	—	**206,586**	—
Water management	**119,814**	—	**119,814**	—
Travel, food and accommodations	**96,526**	—	**96,526**	—
Feasibility study	**31,481**	—	**31,481**	—
Community relations	**18,000**	—	**18,000**	—
Permits and licensing	**7,804**	8,009	**7,804**	8,009
Change in rehabilitation provision estimate (note 10)	**(863,580)**	—	**(863,580)**	—
Depreciation	**116,629**	—	**116,629**	—
	$ 1,150,031	$ 8,009	**$ 1,150,031**	$ 8,009

8. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	August 31, 2017	November 30, 2016	December 1, 2015
Trade payables	**$ 323,722**	$ 44,969	$ 77,959
Accrued liabilities	**174,440**	15,085	—
Payroll liabilities	**70,710**	—	—
	$ 568,872	$ 60,054	$ 77,959

(Expressed in United States dollars - Unaudited)

9. Contingent Consideration

As described in note 4, the Company agreed to make contingent payments to Goldcorp as part of the consideration paid for the Acquisition. The estimated fair value of the contingent payments has been determined as follows:

Contingent consideration – NSR

		Nine Months Ended August 31, 2017
Acquisition of the Cerro Blanco Gold and Mita Geothermal projects (note 4)	**$**	**5,546,849**
Accretion (unwinding of discount)		**14,156**
Ending balance	**$**	**5,561,005**

The estimated fair value is determined considering the estimated royalty payments to Goldcorp, discounted to present value. The estimated payment is calculated applying the income approach, considering different scenarios of projected production from the Cerro Blanco Gold project, considering the amount to be paid under each scenario, weighted by the probability of each scenario. Management reviews measurement assumptions for each reporting period to incorporate any new operational knowledge that would result in a material change in the measurement of the Contingent consideration – NSR.

The material assumptions used to measure the Contingent consideration – NSR are as follows:

Total royalty payments:	$12,300,000
Range of years of production:	3-15
Probability of production:	50%
Range of weightings:	5% - 40%
Range of discount rates:	1.02% -1.47%

The estimated fair value increases with higher probabilities of production, higher production from the Cerro Blanco Gold projects and thus higher royalties and a lower discount rate.

(Expressed in United States dollars - Unaudited)

9. Contingent Consideration (cont'd)

Contingent consideration – Commercial production

		Nine Months Ended August 31, 2017
Acquisition of the Cerro Blanco Gold and Mita Geothermal projects (note 4)	$	**7,178,000**
Accretion (unwinding of discount)		**18,322**
Ending balance	$	**7,196,322**

The estimated fair value is determined considering the probability and timing of the $15,000,000 payment to Goldcorp, discounted to present value. The estimated payment is calculated applying the income approach, considering different scenarios of projected commercial production dates for the Cerro Blanco Gold project, weighted by the probability of each scenario and its timing. Management reviews measurement assumptions for each reporting period to incorporate any new operational knowledge that would result in a material change in the measurement of the Contingent consideration – Commercial production.

The material assumptions used to measure the Contingent consideration – Commercial production are as follows:

Total payment:	$15,000,000
Range of years of production:	3-7
Probability of commercial production:	50%
Range of weightings:	5% - 40%
Range of discount rates:	1.02% -1.47%

The estimated fair value increases with commercial production being achieved earlier, higher probabilities of commercial production being assumed and a lower discount rate.

(Expressed in United States dollars - Unaudited)

10. Rehabilitation Provisions

		Nine Months Ended August 31, 2017
Acquisition of the Cerro Blanco Gold and Mita Geothermal projects (note 4)	$	**8,519,423**
Accretion (unwinding of discount)		**62,770**
Change in estimate		**(863,580)**
Ending balance	$	**7,718,613**

In connection with the acquisition of the Cerro Blanco Gold and Mita Geothermal projects, the Company has estimated the present value of future rehabilitation costs required to remediate the properties based on their current state. The Company did not have any rehabilitation provisions prior to the acquisition of the Cerro Blanco Gold and Mita Geothermal projects.

Although the ultimate amount of the rehabilitation liability is uncertain, the best estimate of these obligations is based on information currently available. Significant closure activities include land rehabilitation, demolition of buildings and other costs.

The revision in the estimated cash flows during the nine months ended August 31, 2017 was due to new information received regarding the restoration of geothermal wells for Mita Geothermal. The change was recorded as a gain in exploration and evaluation expenses in the condensed interim consolidated statement of loss.

The total amount of estimated undiscounted cash flows excluding inflation required to settle the Company's estimated obligation as at August 31, 2017 is $7,419,149 (November 30, 2016 - $nil; December 1, 2015 - $nil), which has been discounted using a rate of 2.94% and an inflation rate of 4%. The liabilities are expected to be settled at various dates which are currently expected to extend from 2020 to 2023.

11. Share Capital

As at August 31, 2017, the Company's authorized share capital consisted of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

On May 24th, 2017, the Company completed a 5 old for 1 new common share consolidation. All share and per share information in these financial statements have been restated to retroactively reflect the effects of this consolidation.

a) Private placements and limited recourse loans

During the nine months ended August 31, 2017, the Company issued 53,333,333 subscription receipts at a price of C$1.50/receipt for gross proceeds of $59,202,842 (C$80,000,000). On June 20, 2017, all subscription receipts were converted into 53,333,333 common shares of the Company.

During the nine months ended August 31, 2017, the Company received gross proceeds of $2,833,623 in convertible loans. On June 20, 2017, the loans were converted into 2,552,699 units, with each unit consisting of one common share of the Company and half of a warrant (note 11b) of the Company. Each whole warrant is exercisable at C$2.00 per share for a period of two years. The value attributed to the common shares was $2,307,377. The convertible loans are included in private placements during the nine months ended August 31, 2017 as they automatically converted to common shares on the conversion of the subscription receipts.

During the nine months ended August 31, 2017, the Company completed a non-brokered private placement of 500,000 common shares of the Company at a price C$1.50/share for limited recourse loans of $565,312 from certain employees. The remaining balance of the limited recourse loans is recorded as a reduction in share capital and will be amortized as share-based compensation expense. During the three and nine months ended August 31, 2017, the Company recognized share-based compensation expense of $40,973 in the condensed interim consolidated statement of loss relating to the limited recourse loans. Further details are provide in note 12c.

The Company incurred $4,108,748 in fees in connection with private placements during the nine months ended August 31, 2017.

(Expressed in United States dollars - Unaudited)

11. Share Capital (cont'd)

b) Warrants

The changes in warrants outstanding during the nine months ended August 31, 2017 are as follows:

	Number of Warrants		Weighted Average Exercise Price (C$/Warrant)
Outstanding, November 30, 2016	3,850,376	$	0.61
Issued	1,535,147		2.00
Exercised	(67,414)		0.35
Expired	(103,800)		10.00
Outstanding, August 31, 2017	**5,214,309**	**$**	**0.84**

During the nine months ended August 31, 2017, 103,800 share purchase warrants expired unexercised.

As at August 31, 2017, the following warrants were outstanding:

Expiry Date		Weighted Average Exercise Price (C$/Warrant)	Number of Warrants	Weighted Average Remaining Contractual Life in Years
May 31, 2019	$	2.00	258,805	1.75
June 20, 2019		2.00	1,276,342	1.80
June 2, 2020		0.35	596,000	2.76
June 4, 2020		0.35	2,313,920	2.76
July 7, 2020		0.35	769,242	2.85
	$	**0.84**	**5,214,309**	**2.49**

The fair value of $129,259 for the Consideration Warrants issued during the nine months ended August 31, 2017 was estimated using the Black-Scholes option pricing model with the following assumptions: Risk-free rate – 0.74%, Volatility – 100%, Dividend yield – 0%, expected life – 2 years.

The fair value of $525,633 for the warrants issued on convertible loan conversion during the nine months ended August 31, 2017 was estimated using the Black-Scholes option pricing model with the following assumptions: Risk-free rate – 0.91%, Volatility – 100%, Dividend yield – 0%, expected life – 2 years.

c) Special warrants

As partial consideration for the Acquisition, the Company issued 3,099,160 Special Warrants to Goldcorp entitling Goldcorp to acquire 3,099,160 common shares of the Company for no further consideration or action. The fair value of the Special Warrants was determined to be $3,440,198 based on the concurrent subscription receipt financing price of C$1.50/common share. The Special Warrants were all automatically exercised on June 20, 2017.

(Expressed in United States dollars - Unaudited)

11. Share Capital (cont'd)

d) Stock options

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

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

The changes in stock options outstanding during the nine months ended August 31, 2017 are as follows:

	Number of Options		Weighted Average Exercise Price (C$/Option)
Outstanding, November 30, 2016	—	$	0.00
Granted	4,935,000		1.50
Outstanding, August 31, 2017	**4,935,000**	**$**	**1.50**

The fair value of the stock options granted during the nine months ended August 31, 2017 was estimated to be C$0.67 per stock option using the Black-Scholes option pricing model with the following assumptions: Risk-free rate – 0.91%, volatility – 75.07%, dividend yield – 0%, expected life – 2 years. The stock options granted during the nine months ended August 31, 2017 expire on June 20, 2020.

During the three and nine months ended August 31, 2017, the Company recognized share-based compensation expense of $633,306 in the condensed interim consolidated statement of loss relating to the stock options.

12. Related Party Transactions

a) Key management compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel was $818,309 for the nine months ended August 31, 2017 (nine months ended August 31, 2016 - $nil) and $596,558 for the three months ended August 31, 2017 (three months ended August 31, 2016 - $nil) which are included in wages and consulting and share-based compensation on the condensed interim consolidated statements of loss and comprehensive loss.

b) Related party payables

The balance payable to related parties as at August 31, 2017 was $nil (November 30, 2016 - $22,186). During the nine months ended August 31, 2017, the Company received a $10,513 loan from an officer and director of the Company. The amount was fully repaid within the nine months ended August 31, 2017.

c) Limited recourse loans

On June 20, 2017, the Company completed a non-brokered private placement of 500,000 common shares at C$1.50 per share for gross proceeds of C$750,000 with certain employees. In connection with the private placement and the Company's management compensation plan, the Company entered into separate loan arrangements with the employees whereby the Company loaned an aggregate of C$750,000 without interest to acquire the shares pursuant to the private placement, and the employees pledged the shares to the Company as security for the loan until the shares are sold to the Company or are otherwise released to the employees in accordance with the terms of the Company's management compensation plan. In the event that the shares sold to the Company are insufficient to repay the loan, the loan is forgiven. 25% of the shares vest on grant, with the remainder vesting 25% annually thereafter. The loan is repayable upon the termination of an employee'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 Gold project, after which time the loan may be forgiven at the request of the employees.

The accounting for the limited recourse loans is described in note 11a.

13. Financial Instruments

Categories of financial assets and liabilities

The Company's financial instruments include cash, accounts receivable, accounts payable and accrued liabilities and contingent liability. Fair value estimates are made as of a specific point in time, using available information about the financial instrument. These estimates are subjective in nature and may not be determined with precision.

The Company has determined that the carrying value of its short-term financial assets and liabilities approximates their value because of the relatively short periods to maturity of these instruments.

The Company's contingent consideration liability is classified as fair value through profit or loss using level 3 inputs, as assumptions used in the calculation of the fair value are not based on observable market data. Where applicable data is not observable, the Company uses its best estimate about the assumptions that market participants would make. See note 9 for further disclosure.

14. Financial Risk Management

a) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill 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 primarily consist 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 August 31, 2017 was $36,646,014 (November 30, 2016 - $22,534).

b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at August 31, 2017, the Company had a cash balance of $35,286,636 (November 30, 2016 - $21,123) to settle current liabilities of $568,872 (November 30, 2016 - $60,054). All of the Company's financial liabilities are subject to normal trade terms.

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 price risk.

i) 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.

14. Financial Risk Management (cont'd)

ii) 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 would result in a $1,684,649 increase/decrease in comprehensive loss. A 10% fluctuation in the US$/Guatemala quetzal rate would result in a $14,737 increase/decrease in comprehensive loss.

iii) 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.

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 placements in order to maintain or adjust the capital structure.

There were no changes to the Company's approach to capital management during the nine months ended August 31, 2017. The Company is not subject to externally imposed capital requirements.

15. Adjustment to Previously Reported Financial Information Due to Change in Presentation Currency

For comparative purposes, the consolidated statements of financial position as at November 30, 2016 and December 1, 2015 includes adjustments to reflect the changes in accounting policy resulting from the change in the presentation currency to the U.S. dollar and the expensing of previously capitalized exploration and evaluation costs. The amounts previously reported in Canadian dollars as shown below have been translated into United States dollars at the November 30, 2016 and December 1, 2015 USD/CAD exchange rates of 1.3424 and 1.3350, respectively.

As at December 1, 2015		As previously reported in C$		As restated in US$
Current assets	$	139,363	$	104,395
Non-current assets		967,276		724,573
Total assets		1,106,639		828,968
Current liabilities		104,072		77,959
Non-current liabilities		—		—
Total liabilities	$	104,072	$	77,959

As at November 30, 2016		As previously reported in C$		As restated in US$
Current assets	$	30,361	$	22,617
Non-current assets		-		-
Total assets		30,361		22,617
Current liabilities		80,617		60,054
Non-current liabilities		-		-
Total liabilities	$	80,617	$	60,054

15. Adjustment to Previously Reported Financial Information Due to Change in Presentation Currency (cont'd)

For comparative purposes, the consolidated statement of loss and comprehensive loss for the three and nine months ended August 31, 2016 includes adjustments to reflect the change in accounting policy resulting from the change in the presentation currency to the U.S. dollar. The amounts previously reported in Canadian dollars as shown below have been translated into United States dollars at the average USD/CAD exchange rate of 1.2976 and 1.3166 for the three and nine month periods, respectively. The effect of the translation is as follows:

For the three months ended August 31, 2016	As previously reported in C$	As restated in US$
Expenses		
Accounting and legal	$ 38	$ 29
Advertising and promotion	500	385
Exploration and evaluation expenses	10,393	8,009
Office and administration	167	129
Rent	20,432	15,745
Transfer agent fees	2,112	1,628
Wages and consulting fees	10,500	8,092
	(44,142)	(34,017)
Other income	1,398	1,077
Net (loss)	(42,744)	(32,940)
Translation adjustment	—	(2,099)
Comprehensive (loss) for the period	$ (42,744)	$ (35,039)

For the nine months ended August 31, 2016	As previously reported in C$	As restated in US$
Expenses		
Accounting and legal	$ 2,448	$ 1,763
Advertising and promotion	815	612
Corporate listing and filing fees	8,671	6,661
Exploration and evaluation expenses	10,393	8,009
Office and administration	2,492	1,835
Rent	38,560	29,668
Transfer agent fees	8,874	6,568
Wages and consulting fees	31,611	23,811
	(103,864)	(78,927)
Other income	3,665	2,821
Net (loss)	(100,199)	(76,106)
Translation adjustment	—	13,628
Comprehensive (loss) for the period	$ (100,199)	$ (62,478)