BLUESTONE RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED AUGUST 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 nine months ended August 31, 2017. The MD&A was prepared as of October 23, 2017 and should be read with the condensed interim consolidated financial statements and related notes for the nine months ended August 31, 2017. All figures are in United States ("U.S.") dollars unless otherwise stated. References to C$ are to Canadian dollars. The financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* of International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

Forward-Looking Statements

This MD&A contains "forward-looking information" within the meaning of Canadian securities legislation and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, "forward-looking statements"). All statements, other than statements of historical fact, which address activities, events or developments that Bluestone believes, expects or anticipates will or may occur in the future are forward-looking statements and often use words such as "expects", "plans", "anticipates", "estimates", "intends", "may" or variations thereof or the negative of any of these terms. Forward-looking statements contained in this MD&A include, but are not limited to, the proposed timeline, objectives and benefits of the feasibility study on the Cerro Blanco Gold project, statements about the Company's plans for its mineral properties; Bluestone's business strategy, plans and outlook; the future financial or operating performance of Bluestone; capital expenditures, corporate general and administration expenses and exploration and development expenses; expected working capital requirements; proposed production timelines and rates; funding availability; and future exploration and operating plans.

All forward-looking statements are made based on the Company's current beliefs as well as various assumptions made by them and information currently available to them. Generally, these assumptions include, among others: the ability of Bluestone to carry on exploration and development activities; the price of gold, silver and other metals; there being no material variations in the current tax and regulatory environment; the exchange rates among the Canadian dollar, Guatemalan quetzal and the U.S. dollar remaining consistent with current levels; the presence of and continuity of metals at the Cerro Blanco Gold project at estimated grades; the availability of personnel, machinery and equipment at estimated prices and within estimated delivery times; metals sales prices and exchange rates assumed; appropriate discount rates applied to the cash flows in economic analysis; tax rates and royalty rates applicable to the proposed mining operation; and the availability of acceptable financing.

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

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

Overview

Bluestone 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 Cerro Blanco Gold project is a proposed underground gold mining operation located in southeast Guatemala approximately 160 kilometers by road from the capital, Guatemala City. The Company’s head and registered 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.

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 for the Three Months Ended August 31, 2017

- The Company had cash and cash equivalents of $35.3 million at August 31, 2017.
- The common shares 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 Inc. ("Goldcorp") in respect of the acquisition of Cerro Blanco Gold and Mita Geothermal projects (collectively, the "Acquisition").
- Converted subscription receipts into 53,333,333 common shares of the Company, having received payment of $59.2 million (C$80.0 million at C$1.50 per subscription receipt) in the prior quarter.
- Received $0.6 million of mining and auxiliary equipment from Goldcorp's Marlin mine. A $2.0 million non-refunded deposit for Marlin mine equipment was included as part of the Acquisition.
- Incurred $2.0 million of exploration and evaluation expenses during the quarter.
- On June 15, 2017, the Company filed a final short form prospectus (the “Prospectus”) with the British Columbia, Alberta and Ontario Securities Commissions. The Prospectus qualified the issuance of 55.9 million common shares and 1.3 million common share purchase warrants of the Company.
- Appointed Mr. Darren Klinck as the Company's President and Chief Executive Officer, effective August 1, 2017.
- On June 13, 2017, the Company appointed Ms. Zara Boldt, Mr. William Lamb and Mr. Paul McRae to its Advisory Committee.
- For the quarter ended August 31, 2017, the Company reported a net loss of $2.3 million, or $0.04 per share.
- Subsequent to the quarter ended August 31, 2017, the Company engaged JDS Energy & Mining Inc. to prepare a feasibility study of Cerro Blanco Gold project.

Project Development Updates

On May 31, 2017, the Company completed the acquisition of 100% of the Cerro Blanco Gold and Mita Geothermal projects from Goldcorp and its affiliates for total consideration of $35,909,156. In addition, the Company made a $2,000,000 non-refundable deposit and acquired a right of first refusal on certain assets and equipment at Goldcorp's Marlin mine, located in Guatemala (the "Marlin Equipment ROFR"). The Acquisition was accounted for as an acquisition of assets and assumption of liabilities.

Cerro Blanco Gold project

The Company has one principal mining property interest, namely the Cerro Blanco Gold project, a proposed underground gold mining operation located in Guatemala. Entre Mares de Guatemala, S.A. ("Entre Mares"), the Company's wholly-owned subsidiary, is the 100% owner of the Cerro Blanco Gold project.

On February 7, 2017, the Company announced the results of a preliminary economic assessment in respect of the Cerro Blanco Gold project. The preliminary economic assessment is titled "Preliminary Economic Assessment in respect of the Cerro Blanco Gold project, Guatemala" effective February 7, 2017, with a report date of March 20, 2017 and as revised June 2, 2017 (the "PEA"). The PEA is available under Bluestone's issuer profile on the SEDAR website at: www.sedar.com.

The Company's strategic plan is to focus on developing its primary asset, the Cerro Blanco Gold 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 for the Cerro Blanco Gold project.

During the three months ended August 31, 2017, the Company selected and began to receive $2.4 million of mining and auxiliary equipment from Goldcorp's Marlin mine pursuant to the Marlin Equipment ROFR.

Subsequent to August 31, 2017, the Company announced the commencement of a feasibility study on the Cerro Blanco Gold project, which will be led by JDS Energy & Mining Inc. The feasibility study will further detail the project schedule and engineering design as well as endeavor to increase geological confidence and continuity for mineral resource definition and possible expansion, and improve the accuracy of the economics of the Cerro Blanco Gold project.

Mita Geothermal project

The Company owns a 100% interest in the Mita Geothermal project through its wholly-owned subsidiary, Geotermia Oriental de Guatemala, S.A. ("Geotermia"). The Mita Geotermal project is a geothermal energy resource located adjacent to the Cerro Blanco Gold project and is 5 km from the Pan American Highway near the town of Asuncion Mita, in the region of Jutiapa in Guatemala. In November of 2015, the Government of Guatemala granted Geotermia a 50 year license to build and operate a geothermal plant.

During the three months ended August 31, 2017, the Company began evaluation of the Mita Geothermal project in order to determine how to maximize near and medium term value with the objective of advancing the project towards commercialization.

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 top 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.

Results of Operations for the Three Months Ended August 31, 2017 Compared to the Three Months Ended August 31, 2016

The Company's net loss for the three months ended August 31, 2017 totaled $2,286,952 or $0.04 per share as compared to a net loss of $32,940 or $0.01 per share for the three months ended August 31, 2016. Significant expenditures and variances are as follows:

	Three Months Ended August 31, 2017	Three Months Ended August 31, 2016	Increase (Decrease)
Accounting and legal [1]	**$ 108,321**	$ 29	$ 108,292
Accretion [2]	**95,248**	—	95,248
Advertising and promotion	**22,034**	385	21,649
Corporate listing and filing fees [1]	**13,283**	—	13,283
Exploration and evaluation expenses [4]	**1,150,031**	8,009	1,142,022
Office and administration [1]	**156,766**	129	156,637
Rent	**14,312**	15,745	(1,433)
Share-based compensation [1]	**674,279**	—	674,279
Transfer agent fees	**5,101**	1,628	3,473
Wages and consulting fees [1]	**307,200**	8,092	299,108
Total expenses	**(2,546,575)**	(34,017)	(2,512,558)
Interest income [3]	**85,695**	—	85,695
Other income	**—**	1,077	(1,077)
Foreign exchange gain	**173,928**	—	173,928
Net loss	**$ (2,286,952)**	$ (32,940)	$ (2,254,012)

(1) Corporate listing, office and administration, professional fees, share-based compensation and wages and consulting fees increased due to increased activities related to the Acquisition. Accounting and legal expense includes the cost of quarterly reviews by the auditor, an audit accrual and general legal expenses. Office and administration includes travel and insurance expenses. Share-based compensation includes the estimated fair value of 4,935,000 stock options vested during the quarter. Wages and consulting fees includes directors, executives and employees based in the Vancouver office.

(2) Accretion expense is recognized to update the present value of the contingent consideration paid for the Acquisition as well as for the rehabilitation provision.

(3) Interest income increased as the result of increase in cash from the proceeds received from financing activities in the second quarter of 2017.

Results of Operations for the Three Months Ended August 31, 2017 Compared to the Three Months Ended August 31, 2016 (cont'd)

(4) Exploration and evaluation expenses for the three months ended August 31, 2017 related to operations at the Cerro Blanco Gold project and were for the following (permits and licensing for the three months ended August 31, 2016 related to the Mohave project):

	Three Months Ended August 31, 2017	Three Months Ended August 31, 2016
Wages and contractors	**$ 856,731**	$ —
Fuel and electricity	**298,210**	—
Maintenance and repairs	**261,830**	—
Accounting and legal	**206,586**	—
Water management	**119,814**	—
Travel, food and accommodations	**96,526**	—
Feasibility study	**31,481**	—
Community relations	**18,000**	—
Permits and licensing	**7,804**	8,009
Change in restoration provision estimate (5)	**(863,580)**	—
Depreciation	**116,629**	—
	$ 1,150,031	$ 8,009

(5) The reduction in exploration and evaluation expenses of $863,580 in the three months ended August 31, 2017 relates to a reduction in the estimated rehabilitation provision for the Mita Geothermal project.

Results of Operations for the Nine Months Ended August 31, 2017 Compared to the Nine Months Ended August 31, 2016

The Company's net loss for the nine months ended August 31, 2017 totaled $2,650,091 or $0.13 per share as compared to a net loss of $76,106 or $0.02 per share for the nine months ended August 31, 2016. Significant expenditures and variances are as follows:

	Nine Months Ended August 31, 2017	Nine Months Ended August 31, 2016	Increase (Decrease)
Accounting and legal [1]	**$ 132,643**	$ 1,763	$ 130,880
Accretion [2]	**95,248**	—	95,248
Advertising and promotion	**26,142**	612	25,530
Corporate listing and filing fees [1]	**30,934**	6,661	24,273
Exploration and evaluation expenses [4]	**1,150,031**	8,009	1,142,022
Office and administration [1]	**182,047**	1,835	180,212
Property investigation [5]	**27,644**	—	27,644
Rent	**16,215**	29,668	(13,453)
Share-based compensation [1]	**674,279**	—	674,279
Transfer agent fees	**10,200**	6,568	3,632
Wages and consulting fees [1]	**659,291**	23,811	635,480
Total expenses	**(3,004,674)**	(78,927)	(2,925,747)
Interest income [3]	**115,858**	—	115,858
Other income	**—**	2,821	(2,821)
Foreign exchange gain	**238,725**	—	238,725
Net loss	**$ (2,650,091)**	$ (76,106)	$ (2,573,985)

(1) Corporate listing, office and administration, professional fees, share-based compensation and wages and consulting fees increased due to increased activities related to the Acquisition. Accounting and legal expense includes the cost of quarterly reviews by the auditor, an audit accrual and general legal expenses. Office and administration includes travel and insurance expenses. Share-based compensation includes the estimated fair value of 4,935,000 stock options vested during the quarter. Wages and consulting fees includes directors, executives and employees based in the Vancouver office.

(2) Accretion expense is recognized to update the present value of the contingent consideration paid for the Acquisition as well as for the rehabilitation provision.

(3) Interest income increased as the result of increase in cash from the proceeds received from financing activities in the second quarter of 2017.

Results of Operations for the Nine Months Ended August 31, 2017 Compared to the Nine Months Ended August 31, 2016 (cont'd)

(4) Exploration and evaluation expenses for the nine months ended August 31, 2017 relating to operations at the Cerro Blanco Gold project were for the following (permits and licensing expense for the nine months ended August 31, 2016 related to the Mohave project):

	Nine Months Ended August 31, 2017	Nine Months Ended August 31, 2016
Wages and contractors	**$ 856,731**	$ —
Fuel and electricity	**298,210**	—
Maintenance and repairs	**261,830**	—
Accounting and legal	**206,586**	—
Water management	**119,814**	—
Travel, food and accommodations	**96,526**	—
Feasibility study	**31,481**	—
Community relations	**18,000**	—
Permits and licensing	**7,804**	8,009
Change in restoration provision estimate (6)	**(863,580)**	—
Depreciation	**116,629**	—
	$ 1,150,031	$ 8,009

(5) Property investigation expenses consists primarily of travel and expense reimbursements for due diligence relating to the Acquisition.

(6) The reduction in exploration and evaluation expenses of $863,580 in the nine months ended August 31, 2017 relates to a reduction in the estimated rehabilitation provision for the Mita Geothermal project.

Summary of Quarterly Results

Quarterly results fluctuate depending on the timing of the granting and vesting of stock options and the write-off of exploration and evaluation assets.

The following table summarizes selected financial data reported by the Company for the quarter ended August 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.

	August 31, 2017	May 31, 2017	February 28, 2017	November 30, 2016	August 31, 2016	May 31, 2016	February 29, 2016	November 30, 2015
	$	$	$	$	$	$	$	$
Current assets	**35,816,517**	41,367,847	1,554,893	22,617	33,984	50,582	82,895	104,395
Property, plant and equipment	**1,706,290**	1,114,552	—	—	—	—	—	—
Exploration and evaluation assets	**42,851,282**	42,851,282	—	—	709,615	686,991	686,991	696,650
Total assets	**83,033,445**	87,333,681	1,554,893	22,617	743,599	752,347	797,422	828,968
Current liabilities	**568,872**	878,599	717,303	60,054	55,068	54,193	72,184	77,959
Working capital	**35,247,645**	40,489,248	837,590	(37,437)	(21,084)	(3,611)	10,711	26,436
Loss from operations	**(2,546,575)**	(247,601)	(210,498)	(718,104)	(34,017)	(29,945)	(14,965)	(1,506,392)
Net loss	**(2,286,952)**	(152,641)	(210,498)	(718,104)	(32,940)	(28,201)	(14,965)	(1,500,711)
Basic and diluted loss per share	**(0.04)**	(0.04)	(0.05)	(0.17)	(0.01)	—	(0.01)	(0.35)
Weighted avg. shares	**50,852,838**	4,262,954	4,262,954	4,262,954	4,262,954	4,262,954	4,262,954	4,262,954

There are no seasonal fluctuations in the results for the presented periods.

Liquidity and Capital Resources

Cash increased by $35,265,513 during the period from $21,123 as at November 30, 2016 to $35,286,636 as at August 31, 2017. Cash utilized in operating activities during the nine months ended August 31, 2017 was $2,844,880 (nine months ended August 31, 2016 - $64,182). Cash utilized in investing activities during the nine months ended August 31, 2017 was $22,527,218 (nine months ended August 31, 2016 - $nil). The funds used were partial payments for the Acquisition. During the nine months ended August 31, 2017, the Company generated net cash proceeds of $57,946,104 (nine months ended August 31, 2016 - $nil) from loans and private placement activities.

During the nine months ended August 31, 2017, the Company completed a 5 to 1 consolidation of all its issued and outstanding common shares. As at August 31, 2017, share capital was at $81,225,484 and is comprised of 63,815,560 issued and outstanding common shares (November 30, 2016 - $20,324,454 comprised of 4,262,954 shares outstanding). The increase in outstanding common shares during the nine months ended August 31, 2017 is the result of private placements and warrant exercises. Reserves which arose from the recognition of the fair value of stock options and warrants were $8,379,743 (November 30, 2016 - $7,091,544). As a result of the net loss for the nine months ended August 31, 2017, the deficit at August 31, 2017 increased to $32,231,267 from $29,581,176 at November 30, 2016. Accordingly, shareholders' equity on August 31, 2017 was $61,988,633 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 Gold and Mita Geothermal projects. 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 caliber 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.

As at August 31, 2017, the Company has working capital of $35,247,645. Our cash balance at August 31, 2017 is expected to be sufficient to fund planned activities over the next twelve months from the date of this MD&A.

Risks and Uncertainties

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

- Operations in Guatemala
- Licenses and title to assets
- Obtaining and renewing licenses and permits
- Environmental hazards
- Governmental laws and regulations
- Community action
- Uncertainty of development projects
- Estimates of mineral reserves and resources
- The business of exploration for minerals and mining involves a high degree of risk
- Tax risks
- Reliance on third parties and risk associated with foreign subsidiaries
- Property commitments
- Limited operational history
- Substantial capital requirements
- Acquisition risk
- Future sales or issuances of common shares
- Competition
- Dependence on key personnel
- Current global financial conditions
- Control person of the Company
- Public company requirements
- Marketability of natural resources
- Conflicts of interest
- Uninsurable risks
- Infrastructure
- Price volatility of publicly traded securities
- Risk of fines and penalties
- There may be undisclosed risks and liabilities relating to the Acquisition
- The anticipated benefits of the Acquisition may not be realized
- The successful development of the Cerro Blanco project cannot be guaranteed

An analysis of these risks and uncertainties, as they have the potential to impact Bluestone, can be found in Bluestone's Annual Information Form for the year ended November 30, 2016 and MD&A for the three and six months ended May 31, 2017. The risks and uncertainties have not changed from those disclosed in Bluestone's Annual Information Form for the year ended November 30, 2016 and MD&A for the three and six months ended May 31, 2017.

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 October 23, 2017:

	Number of Shares	Exercise Price C$	Remaining life (years)
Issued and Outstanding Common Shares	63,815,560		
Stock options	4,935,000	1.50	2.66
Warrants	5,214,309	0.35 - 2.00	1.60 - 2.71
Fully diluted at October 23, 2017	**73,964,869**		

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. 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.

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 Mr. John Robins, an officer and director of the Company. The amount was fully repaid within the nine months ended August 31, 2017.

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 Mr. Darren Klinck, Mr. Peter Hemstead and Mr. David Gunning, the President and Chief Executive Officer, Chief Financial Officer, and Senior Vice President of Operations of the Company, respectively. 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. The 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.

Financial Instruments and Other Instruments

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.

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 August 31, 2017 was $36,643,386 (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 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.

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.

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.

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.

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 condensed consolidated interim financial statements should be read in conjunction with our audited consolidated financial statements for the year ended November 30, 2016.

The condensed consolidated interim 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 and Blue NRG Ltd. have been consolidated from the date of acquisition on May 31, 2017. For all periods presented, the 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.

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.

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.

New accounting policies (cont'd)

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.

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.

Critical accounting 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:

Estimates

Contingent consideration

In estimating the fair value of the contingent consideration, 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. The assumptions used in determining the fair value of the Company’s contingent consideration are disclosed in note 9 of the condensed interim consolidated financial statements for the three and nine months ended August 31, 2017.

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 project and Mita Geothermal project in Guatemala. 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 of the condensed interim consolidated financial statements for the three and nine months ended August 31, 2017.

Judgments

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 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 shall be accounted for as an acquisition of assets.

Changes in accounting policies

Exploration and evaluation assets

With the completion of the Acquisition on May 31, 2017, 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 effects of the changes in accounting policies are reflected in note 15 of the condensed interim consolidated financial statements for the three and nine months ended August 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, 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.

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:

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