



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2022 and 2021

(Unaudited)

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

(Expressed in United States dollars - Unaudited)

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

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

"Zara Boldt"

Zara Boldt, Director

"Jack Lundin"

Jack Lundin, Director

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

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

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

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

Bluestone Resources Inc.
Consolidated Statements of Changes in Shareholders' Equity

(Expressed in United States dollars - Unaudited)

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

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

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

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

Supplemental cash flow information (note 11)

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

Bluestone Resources Inc.

Notes for the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

(Expressed in United States dollars - Unaudited)

1. Nature of Operations

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

2. Significant Accounting Policies, Estimates and Judgments

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

These condensed interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2021.

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

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

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

b) Significant accounting estimates and judgments

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

c) New standards and interpretations adopted

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

- IAS 16, *Property, Plant and Equipment* ("IAS 16"): Amendments to IAS 16 prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related costs in profit or loss. The amendments to IAS 16 are effective for annual reporting periods beginning on or after January 1, 2022. The amendment had no impact on adoption to the Company during the three months ended March 31, 2022.

Bluestone Resources Inc.**Notes for the Condensed Interim Consolidated Financial Statements****For the three months ended March 31, 2022 and 2021**

(Expressed in United States dollars - Unaudited)

3. Property, Plant and Equipment

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

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

	December 31, 2021		
	Land	Plant and equipment ⁽²⁾	Total
Cost			
Balance, January 1, 2021	\$907,858	\$5,014,779	\$5,922,637
Additions	16,424,273	1,478,919	17,903,192
Write-downs	—	(73,743)	(73,743)
Translation differences	—	(1,931)	(1,931)
Balance, December 31, 2021	17,332,131	6,418,024	23,750,155
Accumulated depreciation			
Balance, January 1, 2021	—	(1,276,761)	(1,276,761)
Charge for the year	—	(319,978)	(319,978)
Write-downs	—	68,424	68,424
Balance, December 31, 2021	—	(1,528,315)	(1,528,315)
Net book value at December 31, 2021	\$17,332,131	\$4,889,709	\$22,221,840

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

Bluestone Resources Inc.

Notes for the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

(Expressed in United States dollars - Unaudited)

4. Trade and Other Payables

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

⁽¹⁾ Other liabilities include amounts relating to land purchase agreements payable in 2022 and 2024. As at March 31, 2022, current and non-current other liabilities relating to these agreements were \$2,250,827 and \$2,004,860, respectively.

⁽²⁾ The Company has agreements with previous landowners from which the Company had purchased land. These agreements do not relate to the purchases of land and were recognized as exploration and evaluation expenses in the consolidated statement of loss during the year ended December 31, 2021. As at March 31, 2022, current and non-current other liabilities relating to these agreements were \$507,573 and \$142,158, respectively.

5. Loan

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

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

In consideration for the Loan, the Company issued 150,000 common shares of the Company with a fair value of \$234,670 to the Lender upon execution (the "Initial Shares"), and will issue an additional 4,000 common shares per month (pro-rated for partial months) for each \$1,000,000 of the principal amount outstanding under the Loan from time to time up to March 11, 2023 (the "Maturity Date").

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

Bluestone Resources Inc.

Notes for the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

(Expressed in United States dollars - Unaudited)

6. Share Capital

As at March 31, 2022, the Company's authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

a) Stock options

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

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

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

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

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

7. Exploration and Evaluation Expenses

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

Bluestone Resources Inc.

Notes for the Condensed Interim Consolidated Financial Statements

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8. Related Party Transactions - Key Management Compensation

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

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

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

9. Financial Instruments

The fair value hierarchy establishes three levels to classify the inputs of valuation techniques used to measure fair value. As required by IFRS 13, *Fair Value Measurement*, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3: Inputs that are unobservable (supported by little or no market activity).

The Company holds equity securities of a publicly traded company which are categorized as Level 1. The equity securities are measured at fair value through other comprehensive income and are valued using a market approach based upon unadjusted quote prices in an active market obtained from securities exchanges.

The fair values of the Company's cash and cash equivalents, restricted cash and trade and other payables approximate their carrying values, which are the amounts recorded on the consolidated statement of financial position, due to their short-term nature. The Company's other liabilities approximates its carrying value due to the consistency of the credit risk of the Company since the initial recognition of the instruments. The Company's other liabilities are categorized as Level 2.

Bluestone Resources Inc.

Notes for the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

(Expressed in United States dollars - Unaudited)

10. Financial Risk Management

a) Credit risk

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

b) Liquidity risk

The Company's approach to managing liquidity risk is to try to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2022, the Company had a cash balance of \$10,772,674 (December 31, 2021 - \$18,285,126) to settle current liabilities of \$5,930,381 (December 31, 2021 - \$4,839,224). All of the Company's financial liabilities are subject to commercial trade terms. While management expects that the Company will be able to meet its existing obligations and commitments and fund ongoing operations for at least the next twelve months from March 31, 2022, the Company anticipates the need for further funding to support the advancement of Cerro Blanco. The Company is currently evaluating potential sources of funding, in addition to drawing on the Loan (note 5). Historically, capital requirements have been primarily funded through the sale of equity instruments, the exercise of convertible securities and drawing from a credit facility. There can be no assurances that the Company will be able to obtain additional financing on satisfactory terms and/or achieve profitability or positive cash flows from its future operations. Based on the amount of funding raised, the Company's planned initiatives and other work programs may be postponed, or otherwise revised, as necessary.

As a part of the terms of the Company's acquisition of Cerro Blanco in 2017, the Company is required to make a payment of \$15,000,000 within six months of the commencement of commercial production at Cerro Blanco and pay a 1% net smelter returns royalty on the sale of gold and silver produced from Cerro Blanco. In August 2020, the terms of the \$15,000,000 payment were amended so that the Company is required to make payments totaling approximately \$16,000,000 staggered over 12 to 27 months following the commencement of commercial production at Cerro Blanco. These payments are not recognized as liabilities in the consolidated statement of financial position as at March 31, 2022. These payments will be recognized as liabilities in the consolidated statement of financial position upon commencement of commercial production at Cerro Blanco.

c) Market risk

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

Interest rate risk

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

Bluestone Resources Inc.

Notes for the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

(Expressed in United States dollars - Unaudited)

10. Financial Risk Management (cont'd)

Foreign currency risk

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

Price risk

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

d) Capital Management

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

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

11. Supplemental Cash Flow Information

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

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

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