

Bluestone **RESOURCES INC.**

CONSOLIDATED FINANCIAL STATEMENTS

For the thirteen months ended December 31, 2017

and

twelve months ended November 30, 2016

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Bluestone Resources Inc.

We have audited the accompanying consolidated financial statements of Bluestone Resources Inc., which comprise the consolidated statements of financial position as at December 31, 2017, November 30, 2016 and December 1, 2015, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the thirteen months ended December 31, 2017 and the twelve months ended November 30, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Bluestone Resources Inc. as at December 31, 2017, November 30, 2016 and December 1, 2015, and its financial performance and its cash flows for the thirteen months ended December 31, 2017 and twelve months ended November 30, 2016 in accordance with International Financial Reporting Standards.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

March 13, 2018



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

	Notes	December 31, 2017	November 30, 2016 (Restated – Notes 3 & 16)	December 1, 2015 (Restated – Notes 3 & 16)
Current assets				
Cash and cash equivalents	5	\$30,221,102	\$21,123	\$96,732
Accounts receivable		239,845	1,411	5,790
Prepaid expenses		220,750	83	1,873
Inventory		147,709	—	—
		30,829,406	22,617	104,395
Non-current assets				
Restricted cash	5	1,743,760	—	—
Deposits		—	—	27,923
Property, plant and equipment	6	3,664,525	—	—
Exploration and evaluation assets	7	30,126,433	—	696,650
Total assets		\$66,364,124	\$22,617	\$828,968
Current liabilities				
Trade and other payables	8	\$1,910,930	\$60,054	\$77,959
		1,910,930	60,054	77,959
Non-current liabilities				
Rehabilitation provisions	9	6,528,462	—	—
Total liabilities		8,439,392	60,054	77,959
Shareholders' equity (deficiency)				
Share capital	10	81,193,312	20,324,454	20,324,454
Reserves		9,154,063	7,091,544	7,091,544
Accumulated other comprehensive income		5,533,092	2,127,741	2,121,977
Deficit		(37,955,735)	(29,581,176)	(28,786,966)
Total shareholders' equity (deficiency)		57,924,732	(37,437)	751,009
Total liabilities and shareholders' equity		\$66,364,124	\$22,617	\$828,968

Nature of operations and going concern (note 1)
Commitments and contingencies (note 4 and 15b)
Events after the reporting period (note 10d)

Approved on March 13, 2018 on behalf of the Board of Directors:

"Zara Boldt"

Zara Boldt, Director

"Darren Klinck"

Darren Klinck, Director

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

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

	Notes	Thirteen Months Ended December 31, 2017	Twelve Months Ended November 30, 2016 (Restated – Notes 3 & 16)
Expenses			
Accounting and legal		\$327,062	\$6,385
Accretion	9	138,684	—
Advertising and promotion		73,440	612
Corporate listing and filing fees		43,219	7,946
Exploration and evaluation expenses	7	4,129,553	8,020
Office and administration		528,432	1,977
Property investigation		27,644	—
Rent		39,660	30,003
Share-based compensation	10	1,522,198	—
Transfer agent fees		10,489	9,312
Wages and consulting fees		1,544,235	31,726
		(8,384,616)	(95,981)
Interest income		302,875	—
Write-off of exploration and evaluation asset		—	(701,050)
Other income		—	2,821
Foreign exchange loss		(262,393)	—
Loss before income tax		(8,344,134)	(794,210)
Income tax expense	11	(30,425)	—
Net loss for the period		(8,374,559)	(794,210)
Translation adjustment		3,405,351	5,764
Comprehensive loss attributable to shareholders		(\$4,969,208)	(\$788,446)
Weighted average number of common shares outstanding – basic and diluted		33,433,881	4,262,954
Basic and diluted loss per common share		(\$0.25)	(\$0.19)

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

Bluestone Resources Inc.
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in United States dollars)

	Notes	Share capital		Reserves	Accumulated other comprehensive income	Deficit	Total shareholders' equity (deficiency)
		Shares	Amount				
Balance, December 1, 2015 (restated)	16	4,262,954	\$20,324,454	\$7,091,544	\$2,121,977	(\$28,786,966)	\$751,009
Comprehensive income (loss) for the period (restated)	16	—	—	—	5,764	(794,210)	(788,446)
Balance, November 30, 2016 (restated)		4,262,954	\$20,324,454	\$7,091,544	\$2,127,741	(\$29,581,176)	(\$37,437)
Balance, December 1, 2016 (restated)	16	4,262,954	\$20,324,454	\$7,091,544	\$2,127,741	(\$29,581,176)	(\$37,437)
Private placements, net of issuance costs	10	55,886,032	57,295,700	525,633	—	—	57,821,333
Shares issued for limited recourse loans	10	500,000	565,312	—	—	—	565,312
Reduction of share capital for outstanding limited recourse loans	10	—	(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	10	—	107,091	1,415,107	—	—	1,522,198
Exercise of warrants	10	3,166,574	3,466,067	(3,447,678)	—	—	18,389
Comprehensive income (loss) for the period		—	—	—	3,405,351	(8,374,559)	(4,969,208)
Balance, December 31, 2017		63,815,560	\$81,193,312	\$9,154,063	\$5,533,092	(\$37,955,735)	\$57,924,732

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

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

	Notes	Thirteen Months Ended December 31, 2017	Twelve Months Ended November 30, 2016 (Restated – Notes 3 & 16)
Cash flows used in operating activities			
Net (loss) for the period		(\$8,374,559)	(\$794,210)
Accretion expense	9	138,684	—
Depreciation	6	231,001	—
Share-based compensation	10	1,522,198	—
Change in restoration provision estimate	9	(2,129,645)	—
Interest income		(302,875)	—
Write-off of exploration and evaluation asset		—	696,650
Income tax expense		30,425	—
Non-cash foreign exchange loss		24,737	—
Changes in non-cash working capital:			
Accounts receivable		(168,869)	4,379
Prepaid expenses		(214,480)	1,790
Inventory		20,847	—
Deposits		—	27,923
Trade and other payables		1,466,207	(17,905)
Cash used in operating activities		(7,756,329)	(81,373)
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	(2,521,974)	—
Increase in restricted cash		(1,755,257)	—
Interest received		241,708	—
Cash used in investing activities		(23,310,483)	—
Cash flows from financing activities			
Proceeds from private placements	10	62,035,853	—
Private placement fees	10	(4,214,520)	—
Proceeds from exercises of warrants	10	18,387	—
Cash generated by financing activities		57,839,720	—
Effects of foreign exchange rate changes on cash and cash equivalents		3,427,071	5,764
Increase (decrease) in cash and cash equivalents		30,199,979	(75,609)
Cash and cash equivalents, beginning of the period		21,123	96,732
Cash and cash equivalents, end of the period		\$30,221,102	\$21,123
Non-cash transactions			
Issuance of common shares for limited recourse loans	10	\$565,312	\$—
Transfer of reserve on exercise of warrants	10	3,447,678	—

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

1. Nature of Operations and Going Concern

a) 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 resource company focused on the exploration and development of its 100% owned Cerro Blanco Gold project ("Cerro Blanco") and Mita Geothermal project ("Mita Geothermal"), 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 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 \$28,918,476 as at December 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 for Cerro Blanco and further economic assessment of Mita Geothermal. 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 & 10).

These 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, Estimates and Judgments

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The comparative information has also been prepared on this basis.

The consolidated financial statements were authorized for issue by the Board of Directors on March 13, 2018.

The accounts of Entre Mares de Guatemala S.A. ("Entre Mares") and Blue NRG Limited ("NRG") have been consolidated from the date of acquisition on May 31, 2017 (note 4). For all periods presented, these 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) Change of year end and presentation currency

Effective in 2017, the Company changed its financial year end from November 30 to December 31 in order to align the Company's year-end with that of comparative companies and its subsidiary, Entre Mares, which operates on a calendar fiscal year end in Guatemala. Accordingly, these consolidated financial statements present the statements of financial position as at December 31, 2017, November 30, 2016 and December 1, 2015 and the results of operations for the thirteen months ended December 31, 2017 and twelve months ended November 30, 2016. During the thirteen-month period ended December 31, 2017, the Company changed its presentation currency from the Canadian dollar to the United States dollar.

c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

d) Foreign currency translation

The presentation currency of the Company is the United States dollar. The functional currency of the Company's wholly-owned subsidiaries is the United States dollar. The functional currency of the parent company, Bluestone Resources Inc., is the Canadian dollar. The monetary assets and liabilities of the wholly-owned subsidiaries that are denominated in foreign currencies at the reporting date are translated into the functional currency at the rate of exchange on the reporting date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss in the statement of comprehensive loss.

Assets and liabilities of the parent company, Bluestone Resources Inc., are translated into United States dollars at the exchange rate in effect on the statement of financial position date income, expenses and equity items are translated at the exchange rates approximating those in effect on the date of the transactions. Gains and losses from these translations are recognized in accumulated other comprehensive income.

2. Significant Accounting Policies, Estimates and Judgments (cont'd)

e) Cash and cash equivalents

Cash and cash equivalents include cash on hand and held at banks and short-term investments with an original maturity of 90 days or less, which are readily convertible into a known amount of cash and excludes any restricted cash that is not available for use by us.

f) Inventory

Inventory 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 loss in the consolidated statement of loss and comprehensive loss.

g) 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 statement of 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. Land is not depreciated.

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 consolidated statement of loss.

2. Significant Accounting Policies, Estimates and Judgments (cont'd)

h) 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. 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. Exploration expenditures are the costs of exploring for mineral resources other than those occurring at existing operations and projects and comprise geological and geophysical studies, exploratory drilling, and sampling and resource development. Evaluation expenditures include the cost of conceptual and feasibility studies and evaluation of mineral resources at existing operations. When a decision is taken that a mining project is technically feasible and commercially viable, subsequent directly attributable expenditures are considered development expenditure and are capitalized within property, plant and equipment or mineral properties. If a property does not prove economically recoverable or technically feasible, all irrecoverable costs associated with the project, net of any previous impairment provisions, are written off.

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.

i) Contingent consideration

Contingent consideration from an asset acquisition is recognized when: (i) the conditions associated with the contingency are met; (ii) the Company has a present legal or constructive obligation that can be estimated reliably; and (iii) and it is probable that an outflow of economic benefits will be required to settle the obligation.

j) Rehabilitation provision

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 accretion in the consolidated statement of loss.

The site restoration provision at the date of the consolidated statement of financial position represents the Company'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 and evaluation expenses for the same amount.

2. Significant Accounting Policies, Estimates and Judgments (cont'd)

k) Income taxes

Income tax expense comprises current and deferred tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

l) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated to common shares and warrants on a relative fair value basis whereby the common shares are valued based on the quoted market price of the common shares at the time the units are priced, and the warrants are valued using the Black-Scholes option pricing model.

m) Share-based payments

The Company's stock option plan allows Company employees, directors, officers and consultants to acquire shares of the Company. The fair value of options granted is recognized as share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Fair value is measured at grant date and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest. In situations where equity instruments are issued to consultants and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

2. Significant Accounting Policies, Estimates and Judgments (cont'd)

n) Loss per common share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per common share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings per common share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potentially dilutive share equivalents, such as stock options and warrants and assumes the receipt of proceeds upon exercise of the options to determine the number of shares assumed to be purchased at the average market price during the year.

Existing stock options and warrants have not been included in the computation of diluted loss per share as to do so would be anti-dilutive. Accordingly, basic and diluted loss per share is the same for the periods presented.

o) Impairment of non-financial assets

At each reporting date the carrying amounts of the Company's long-lived non-financial assets, which are comprised of property, plant and equipment, and exploration and evaluation assets, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset or its related cash generating unit. For purposes of impairment testing, assets are grouped at the lowest levels that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit").

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the associated assets are reduced to their recoverable amount and the impairment loss is recognized in profit or loss for the year.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment charge is reversed through profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of any applicable depreciation, if no impairment loss had been recognized.

p) Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the consolidated statement of loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counter-party will default.

2. Significant Accounting Policies, Estimates and Judgments (cont'd)

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the consolidated statement of loss and comprehensive loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the consolidated statement of loss and comprehensive loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the consolidated statement of loss.

Other financial liabilities - This category consists of liabilities carried at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, canceled or expire.

The Company has classified its cash and cash equivalents, accounts receivable and restricted cash as loans and receivables. The Company's trade and other payables are classified as other financial liabilities.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

q) Significant 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. Information about such judgments and estimates is contained in the accounting policies and/or notes to the consolidated financial statements, and the key areas are summarized below.

2. Significant Accounting Policies, Estimates and Judgments (cont'd)

Areas of judgment that have the most significant effect on the application of accounting policies in the consolidated financial statements are:

- Carrying value and recoverability of exploration and evaluation assets;
- Determination of useful lives of plant and equipment;
- Functional currency;
- Deferred tax assets and liabilities;
- Rehabilitation provisions; and
- Business combinations.

The preparation of the consolidated financial statements requires the Company to make estimates and assumptions about the future. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. Key sources of estimation uncertainty that have the most significant effect on the amounts recognized in the consolidated financial statements are:

- Carrying value and recoverability of exploration and evaluation assets;
- Determination of useful lives of plant and equipment;
- Deferred tax assets and liabilities;
- Rehabilitation provisions; and
- Share-based payments.

Carrying value and recoverability of exploration and evaluation assets The carrying amount of Company's exploration and evaluation assets do not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to proceed with and complete development and upon future profitable production or proceeds from the disposition of the exploration and evaluation asset interests themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its exploration and evaluation asset interests or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

Determination of useful lives of plant and equipment Plant and equipment are depreciated using the straight-line method, which includes estimates to determine useful lives and residual values.

Functional currency In accordance with IAS 2, *The Effects of Changes in Foreign Exchange Rates*, the Company determined that the functional currency of the companies acquired in the acquisition of Cerro Blanco and Mita Geothermal (collectively, the "Acquisition") (note 4) is the United States dollar as this is the currency of the primary economic environment in which the companies operate. The functional currency of the parent company, Bluestone Resources Inc., is the Canadian dollar as this is the currency of the primary economic environment in which the parent company operates.

2. Significant Accounting Policies, Estimates and Judgments (cont'd)

Deferred tax assets and liabilities The measurement of the deferred tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of deferred taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future tax provisions or recoveries could be affected.

Rehabilitation provisions Rehabilitation provisions are a consequence of exploration activities and the majority of rehabilitation costs are incurred near the end of the life of mine. Our accounting policy requires the recognition of such provisions when the obligation occurs. The initial provisions are periodically reviewed during the life of the operation to reflect known developments. Although the ultimate cost to be incurred is uncertain, we estimate our costs based on studies using current rehabilitation standards and techniques.

The ultimate magnitude of these costs is uncertain, and cost estimates can vary in response to many factors including changes to the relevant legal requirements, whether closure plans achieve intended reclamation goals, the emergence of new restoration techniques or experience at other mine sites, local inflation rates and exchange rates when liabilities are anticipated to be settled in a currency other than the United States dollar. The expected timing of expenditure can also change. As a result, there could be significant adjustments to the provision for rehabilitation, which would affect future financial results.

Business combinations 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. The Acquisition was not determined to be a business combination.

Share-based payments We measure our share-based payments expense by reference to the fair value of the stock options at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures. The value of the share-based payments expense for the thirteen months ended December 31, 2017 and twelve months ended November 30, 2016, along with the assumptions and model used for estimating fair value for share-based payment transactions, are disclosed in note 10.

2. Significant Accounting Policies, Estimates and Judgments (cont'd)

r) 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:

- IFRS 9, *Financial Instruments* ("IFRS 9"): 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. The Company expects no material impact from the adoption of IFRS 9.
- IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"): 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. The Company expects no material impact from the adoption of IFRS 15.
- IFRS 16, *Leases* ("IFRS 16"): 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. We are currently assessing the impact on our consolidated financial statements. We expect that IFRS 16 will result in an increase in assets and liabilities as fewer leases will be expensed as payments are made. We expect an increase in depreciation and accretion expenses and also an increase in cash flow from operating activities as these lease payments will be recorded as financing outflows in our consolidated statement of cash flow.

3. Changes in Accounting Policies

a) 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 policy is disclosed in note 2(h). There was no impact to the consolidated financial statements for the periods presented as a result of this change in accounting policy.

3. Changes in Accounting Policies (cont'd)

b) Change in currency presentation

Prior to December 31, 2017, the Company reported its annual and quarterly consolidated statements of financial position and the related consolidated statements of loss and comprehensive loss, cash flows and changes in equity in Canadian dollars. Effective May 31, 2017, the Company changed its reporting currency to the United States dollars to better reflect the Company's business activities.

As a result, and in accordance with International Accounting Standards ("IAS") 21, *The Effects of Changes in Foreign Exchange Rates*, the consolidated financial statements for all years presented have been translated into United States dollars. The consolidated statements of loss and comprehensive loss and cash flows for each year have been translated in to the presentation currency using the average exchange rate prevailing during each period. All assets and liabilities have been translated using the exchange rate prevailing at the consolidated statements of financial position dates. Equity transactions since inception have been translated at the exchange rate in effect on the date of the specific transaction. All resulting exchange differences arising from the translation are included as a separate component of other comprehensive loss. All comparative financial information has been restated to reflect the Company's results as if they had been historically reported in United States dollars.

The effects of the changes in accounting policies are reflected in note 16.

c) Contingent consideration

The Company has elected to change the accounting policy with respect to contingent consideration, consistent with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, in order to enhance the relevance and reliability to the decision-making needs of the users of the Company's consolidated financial statements. The Company's prior policy on contingent consideration, adopted on May 31, 2017, was to recognize a contingent consideration at fair value at the acquisition date of an asset acquisition. The Company has now elected to recognize a contingent consideration from an asset acquisition when the conditions associated with the contingency are met, 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. The Company's policy is disclosed in note 2(i).

As the prior policy was adopted during the same fiscal period as the change in policy, there is no financial effect on the prior year as a result of the change in accounting policy.

Bluestone Resources Inc.
Notes for the Consolidated Financial Statements
For the thirteen months ended December 31, 2017 and twelve months ended November 30, 2016
(Expressed in United States dollars)

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 issued and outstanding shares of Entre Mares, Goldcorp's indirectly wholly-owned subsidiary which owns 100% of Cerro Blanco, and 100% of the issued and outstanding shares of NRG, Goldcorp's indirectly wholly-owned subsidiary which owns 100% of Mita Geothermal. In addition, the Company acquired a right of first refusal (“Marlin Equipment ROFR”) on certain assets and equipment at Goldcorp's Marlin mine. 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 (note 6). Based on an assessment of the relevant facts and circumstances, the Company concluded that the Acquisition should be accounted for as an acquisition of assets and assumption of liabilities.

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
Special Warrants ⁽¹⁾	3,440,198
Consideration Warrants ⁽²⁾	129,259
Transaction costs	1,714,850
Total consideration	\$23,184,307

Cash and cash equivalents	\$339,890
Amounts receivable	5,933
Inventory	168,556
Property, plant and equipment	1,114,552
Exploration and evaluation assets	30,126,433
Accounts payable and accrued liabilities	(51,634)
Rehabilitation provision	(8,519,423)
Net identifiable assets acquired	\$23,184,307

⁽¹⁾ Consisted of 3,099,160 special warrants (note 10) of the Company (the “Special Warrants”), each entitling Goldcorp to acquire one common share of the Company without further payment or action.

⁽²⁾ Consisted of 258,805 common share purchase warrants (note 10) 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.

As a part of the Acquisition, the Company is required to make a contingent payment of \$15,000,000 to Goldcorp within six months of commencement of commercial production at Cerro Blanco and pay Goldcorp a 1% net smelter returns royalty on the sale of gold and silver produced from Cerro Blanco. These contingent considerations were not recognized at the date of the Acquisition.

Bluestone Resources Inc.
Notes for the Consolidated Financial Statements
For the thirteen months ended December 31, 2017 and twelve months ended November 30, 2016
(Expressed in United States dollars)

5. Cash and Cash Equivalents and Restricted Cash

	December 31, 2017	November 30, 2016 (Restated – Notes 3 & 16)	December 1, 2015 (Restated – Notes 3 & 16)
Cash balances	\$7,048,773	\$21,123	\$96,732
Short-term investments	23,172,329	—	—
Current cash and cash equivalents	\$30,221,102	\$21,123	\$96,732

Restricted cash of \$1,743,760 as at December 31, 2017 (November 30, 2016 - \$nil; December 1, 2015 - \$nil) relates to term deposits provided as cash collateral for environmental bonding with the Ministry of Environment in Guatemala.

6. Property, Plant and Equipment

	Land	Plant and equipment⁽¹⁾	Total
Cost			
Balance, December 1, 2015, and November 30, 2016	\$—	\$—	\$—
Acquisition of Cerro Blanco and Mita Geothermal (note 4)	907,858	206,694	1,114,552
Additions ⁽²⁾	—	2,780,974	2,780,974
Balance, December 31, 2017	907,858	2,987,668	3,895,526
Accumulated depreciation			
Balance, December 1, 2015, and November 30, 2016	—	—	—
Charge for the period	—	(231,001)	(231,001)
Balance, December 31, 2017	—	(231,001)	(231,001)
Net book value at December 31, 2017	\$907,858	\$2,756,667	\$3,664,525

⁽¹⁾ Includes assets under construction of \$154,639 at December 31, 2017.

⁽²⁾ Includes assets received from Goldcorp's Marlin mine in relation to the \$2,000,000 deposit under the Marlin Equipment ROFR (note 4). As at December 31, 2017, all assets relating to the deposit have been received.

Bluestone Resources Inc.
Notes for the Consolidated Financial Statements
For the thirteen months ended December 31, 2017 and twelve months ended November 30, 2016
(Expressed in United States dollars)

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:

	Thirteen Months Ended December 31, 2017	Twelve Months Ended November 30, 2016 (Restated – Notes 3 & 16)
Opening balance	\$—	\$696,650
Acquisition of Cerro Blanco and Mita Geothermal (note 4)	30,126,433	—
Impact of fluctuations in foreign exchange	—	4,400
Impairment of exploration and evaluation asset	—	(701,050)
Ending balance	\$30,126,433	\$—

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

Exploration and evaluation expenses for the thirteen months ended December 31, 2017 and twelve months ended November 30, 2016 were for the following:

	Thirteen Months Ended December 31, 2017	Twelve Months Ended November 30, 2016
Cerro Blanco operating expenditures	\$5,125,342	\$—
Feasibility study	471,933	—
Corporate social responsibility and community relations	302,949	—
Geothermal	127,973	—
Depreciation	231,001	—
Mohave expenditures	—	8,020
Change in rehabilitation provision estimates (note 9)	(2,129,645)	—
	\$4,129,553	\$8,020

8. Trade and Other Payables

	December 31, 2017	November 30, 2016 (Restated – Notes 3 & 16)	December 1, 2015 (Restated – Notes 3 & 16)
Trade payables	\$1,005,944	\$44,969	\$77,959
Accrued liabilities	445,006	15,085	—
Payroll liabilities	454,779	—	—
Income taxes payable	5,201	—	—
Trade and other payables	\$1,910,930	\$60,054	\$77,959

Bluestone Resources Inc.
Notes for the Consolidated Financial Statements
For the thirteen months ended December 31, 2017 and twelve months ended November 30, 2016
(Expressed in United States dollars)

9. Rehabilitation Provisions

	Thirteen Months Ended December 31, 2017
Acquisition of Cerro Blanco and Mita Geothermal (note 4)	\$8,519,423
Accretion (unwinding of discount)	138,684
Change in estimate	(2,129,645)
Ending balance	\$6,528,462

In connection with the acquisition of Cerro Blanco and Mita Geothermal, 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 Cerro Blanco and Mita Geothermal.

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, equipment removal, demolition of buildings and other costs.

The revision in the estimated cash flows during the thirteen months ended December 31, 2017 was due to new information received regarding the removal of the dewatering pump at Cerro Blanco and the restoration of geothermal wells for Mita Geothermal. The change was recorded as a gain in exploration and evaluation expenses in the consolidated statement of loss.

The total amount of estimated undiscounted cash flows required to settle the Company's estimated obligation as at December 31, 2017 is \$7,143,633 (November 30, 2016 - \$nil; December 1, 2015 - \$nil). The calculation of present value of estimated future cash flows assumed a discount 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 2022.

A 1% increase or decrease in the discount rate would cause the rehabilitation provision to decrease or increase by approximately \$200,000.

10. Share Capital

As at December 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 24, 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 February and March of 2017, the Company received gross proceeds of \$2,833,604 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 10(b)) 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 \$2,307,971 based on the fair value allocation between the common shares and the warrants (note 10(b)). The convertible loans are included in private placements during the thirteen months ended December 31, 2017 as they automatically converted to common shares on the conversion of the convertible notes.

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 for gross proceeds of \$59,202,249 (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.

In June 2017, the Company issued 500,000 common shares with a fair value of \$565,312 (C\$750,000) in connection with limited recourse loans (note 13(c)). During the thirteen months ended December 31, 2017, the Company recognized share-based compensation expense of \$107,091 in the consolidated statement of loss relating to the limited recourse loans.

The Company incurred \$4,214,520 in fees in connection with private placements during the thirteen months ended December 31, 2017.

Bluestone Resources Inc.
Notes for the Consolidated Financial Statements
For the thirteen months ended December 31, 2017 and twelve months ended November 30, 2016
(Expressed in United States dollars)

10. Share Capital (cont'd)

b) Warrants

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

	Number of Warrants	Weighted Average Exercise Price (C\$/Warrant)
Outstanding, November 30, 2016 and 2015	3,850,376	\$0.61
Issued	1,535,147	2.00
Exercised	(67,414)	0.35
Expired	(103,800)	10.00
Outstanding, December 31, 2017	5,214,309	\$0.84

During the thirteen months ended December 31, 2017, 103,800 share purchase warrants expired unexercised.

As at December 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	1.41
June 20, 2019	2.00	1,276,342	1.47
June 2, 2020	0.35	596,000	2.42
June 4, 2020	0.35	2,313,920	2.43
July 7, 2020	0.35	769,242	2.52
	\$0.84	5,214,309	2.16

The fair value of \$129,259 for the Consideration Warrants (note 4) issued during the thirteen months ended December 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 thirteen months ended December 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.

10. 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 Participant 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 thirteen months ended December 31, 2017 are as follows:

	Number of Options	Weighted Average Exercise Price (C\$/Option)
Outstanding, November 30, 2015	985	\$11.50
Expired/cancelled	(985)	(11.50)
Outstanding, November 30, 2016	—	0.00
Granted	4,935,000	1.50
Outstanding, December 31, 2017	4,935,000	\$1.50

1,233,750 of the stock options outstanding as at December 31, 2017 are exercisable.

The fair value of the stock options granted during the thirteen months ended December 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 thirteen months ended December 31, 2017 expire on June 20, 2020.

During the thirteen months ended December 31, 2017, the Company recognized share-based compensation expense of \$1,415,107 in the consolidated statement of loss relating to the stock options.

Subsequent to December 31, 2017, the Company granted 995,000 stock options to certain directors, officers and employees at an exercise price of C\$1.50 per stock option.

Bluestone Resources Inc.
Notes for the Consolidated Financial Statements
For the thirteen months ended December 31, 2017 and twelve months ended November 30, 2016
(Expressed in United States dollars)

11. Income Tax

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

	Thirteen Months Ended December 31, 2017	Twelve Months Ended November 30, 2016 (Restated – Notes 3 & 16)
(Loss) before income taxes	(\$8,344,134)	(\$794,210)
Canadian federal and provincial income tax rates	26.00%	26.00%
Income tax recovery based on the above rates	(2,169,475)	(206,495)
Increase due to:		
Stock-based compensation and other non-deductible expenses	717,324	—
Non-deductible portion of capital losses	253,539	—
Losses and temporary differences for which no future income tax asset has been recognized	1,215,295	206,495
Effect of different tax rates in foreign jurisdictions	13,742	—
Total income tax expense	\$30,425	\$—
Current tax expense	30,425	—
Total income tax expense	\$30,425	\$—

The components of temporary differences, unused tax credits and unused tax losses are as follows:

	Expiry Dates	December 31, 2017	November 30, 2016
Canadian tax losses	2026 to 2037	\$9,623,381	\$6,101,869
United States tax losses	2028 to 2037	707,668	706,852
Barbados tax losses	2018 to 2026	54,777	—
Share issues costs and other	2038 to 2041	4,604,573	86,151
Canadian exploration and evaluation assets	No expiry date	1,639,784	1,540,952
Canadian investment tax credits	2025 to 2032	152,611	143,413
United States exploration and evaluation assets	No expiry date	2,351,152	2,351,152
Guatemala property, plant and equipment	No expiry date	1,430,012	—
Guatemala exploration and evaluation assets	No expiry date	2,333,019	—
Guatemala rehabilitation provision	No expiry date	6,528,462	—

In Guatemala, a company can elect in any given year to be taxed based on other net taxable income or gross revenue. The income tax rate is 25% while the gross revenue tax rate is 7%. It is uncertain at this point how the Company would elect to be taxed in the future years. The tax attributes in Guatemala of the property, plant and equipment and exploration and evaluation assets exceed the book value of the acquisition price by over \$150 million. Those amounts are not reflected in the above table as they are considered a permanent difference rather than a temporary difference for accounting purposes under IFRS.

12. Segmented Information

The Company has one operating segment, as defined by IFRS 8, *Operating Segments*, being the operations in Guatemala. All non-current assets are located in Guatemala.

13. 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 key corporate officers. The compensation paid or payable to key management personnel, which is included in wages and consulting and share-based compensation on the consolidated statements of loss, is as follows:

	Thirteen Months Ended December 31, 2017	Twelve Months Ended November 30, 2016
Salaries and other short-term employee benefits	\$1,173,653	\$—
Post-employment benefits	722	—
Share-based compensation	1,330,884	—
	\$2,505,259	\$—

b) Related party payables

The balance payable to related parties as at December 31, 2017 was \$526,629 (November 30, 2016 - \$22,186). During the thirteen months ended December 31, 2017, the Company received a \$10,513 loan from an officer and director of the Company. The amount was fully repaid within the thirteen months ended December 31, 2017.

c) Limited recourse loans

In June 2017, the Company issued 500,000 common shares with a fair value of C\$750,000 to certain employees. In connection with the issuance of these shares, the Company made an interest free, non-recourse loan to the employees in the amount of C\$750,000 to enable them to acquire the shares. 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 Cerro Blanco, after which time the loan may be forgiven at the request of the employees.

13. Related Party Transactions (cont'd)

d) Principal Subsidiaries

The consolidated financial statements include our accounts and the accounts of our wholly-owned subsidiaries, the most significant as at December 31, 2017 of which are presented in the following table:

Subsidiary	Location	Ownership	Principal project
Entre Mares de Guatemala S.A.	Guatemala	100%	Cerro Blanco
Geothermia Oriental de Guatemala, S.A.	Guatemala	100%	Mita Geothermal

14. Financial Instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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 not based on observable market data.

The fair values of the Company's cash and cash equivalents, accounts receivable, restricted cash and trade and other payables approximate carrying values, which are the amounts recorded on the consolidated statement of financial position due to their short-term nature. There are no financial instruments classified as fair value through profit or loss, or available-for-sale using Level 1 inputs.

15. 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 accounts 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 December 31, 2017 was \$32,204,707 (November 30, 2016 - \$22,534).

15. Financial Risk Management (cont'd)

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 December 31, 2017, the Company had cash and cash equivalents of \$30,221,102 (November 30, 2016 - \$21,123) to settle current liabilities of \$1,910,930 (November 30, 2016 - \$60,054). All of the Company's financial liabilities are subject to normal trade terms.

In the normal course of business, we enter into contracts that give rise to commitments for future minimum payments. The following is a maturity profile of financial liabilities and operating and capital commitments presenting undiscounted cash flows:

	Payments due by period (as at December 31, 2017)		
	Less than one year	1 - 2 years	After 2 years
Trade and other payables	\$1,910,930	\$—	\$—
Minimum lease payments	194,340	421,680	70,280
Operating expenditure commitments	57,525	18,168	—
Total contractual obligations	2,162,795	439,848	70,280
Rehabilitation provisions (note 9)	—	—	7,143,633
Total	\$2,162,795	\$439,848	\$7,213,913

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.

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.

As at December 31, 2017, the weighted average interest rate earned on our cash and cash equivalents was 1.28%. With other variables unchanged, a 1% change in the annualized interest rate at December 31, 2017 would impact after-tax net loss by approximately \$300,000.

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 December 31, 2017 would result in an approximate \$475,000 increase/decrease in comprehensive loss. A 10% fluctuation in the US\$/Guatemala quetzal rate as at December 31, 2017 would result in an approximate \$45,000 increase/decrease in comprehensive loss.

15. Financial Risk Management (cont'd)

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 (deficiency) 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 thirteen months ended December 31, 2017. The Company is not subject to externally imposed capital requirements.

Bluestone Resources Inc.
Notes for the Consolidated Financial Statements
For the thirteen months ended December 31, 2017 and twelve months ended November 30, 2016
(Expressed in United States dollars)

16. 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 United States dollar. There was no annual financial statement effect as a result of the accounting policy change disclosed in notes 3(a) and 3(c). 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

Bluestone Resources Inc.
Notes for the Consolidated Financial Statements
For the thirteen months ended December 31, 2017 and twelve months ended November 30, 2016
(Expressed in United States dollars)

16. 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 twelve months ended November 30, 2016 includes adjustments to reflect the change in accounting policy resulting from the change in the presentation currency to the United States 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 1.3256 for the twelve month period. The effect of the translation is as follows:

For the twelve months ended November 30, 2016	As previously reported in C\$	As restated in US\$
Expenses		
Accounting and legal	\$8,580	\$6,385
Advertising and promotion	815	612
Corporate listing and filing fees	10,376	7,946
Exploration and evaluation expenses	10,407	8,020
Office and administration	2,681	1,977
Rent	39,004	30,003
Transfer agent fees	12,514	9,312
Wages and consulting fees	42,111	31,726
	(126,488)	(95,981)
Write-off of exploration and evaluation asset	(930,000)	(701,050)
Other income	3,665	2,821
Net loss	(1,052,823)	(794,210)
Translation adjustment	—	5,764
Comprehensive loss for the period	(\$1,052,823)	(\$788,446)