Bluestone
RESOURCES INC.

BLUESTONE RESOURCES INC.

ANNUAL MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2020

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Bluestone Resources Inc. ("Bluestone" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2020. The MD&A was prepared as of March 16, 2021 and should be read with the consolidated financial statements and related notes for the year ended December 31, 2020, which can be found along with other information of the Company on SEDAR at www.sedar.com. All figures are in United States ("U.S.") dollars unless otherwise stated. References to C$ are to Canadian dollars. The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

Forward-Looking Statements

This MD&A contains "forward-looking information" within the meaning of Canadian securities legislation and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, "forward-looking statements"). All statements, other than statements of historical fact, which address activities, events or developments that management believes, expects or anticipates will or may occur in the future are forward-looking statements and often use words such as "expects", "plans", "anticipates", "estimates", "intends", "may" or variations thereof or the negative of any of these terms. Forward-looking statements contained in this MD&A include, but are not limited to statements with respect to the conversion of Inferred Mineral Resources; increasing the amount of Measured and Indicated Mineral Resources; the proposed timeline and benefits of further drilling; the timing of commercial production at the Company's Cerro Blanco Gold project ("Cerro Blanco") and the generation of material revenue by the Company; the objectives and benefits of the preliminary economic assessment on Cerro Blanco announced on February 28, 2021 (the "PEA"); statements about the Company's plans for its mineral properties; Bluestone's business strategy, plans and outlook; the future financial or operating performance of Bluestone; capital expenditures, corporate general and administration expenses and exploration and evaluation expenses; expected working capital requirements; proposed production timelines and rates; funding availability; the potential impact of the novel coronavirus ("COVID-19") on the Company and its operations; and future exploration and operating plans.

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

Forward-Looking Statements (cont'd)

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

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

Qualified Persons

The scientific and technical disclosure in this MD&A has been reviewed and approved by David Cass, P.Geo., Vice President Exploration, who is a Qualified Person as defined by National Instrument 43-101 - Standards of Disclosure for Mineral Projects.

Overview

Bluestone is a natural resource company focused on the exploration and development of its 100% owned Cerro Blanco Gold project and Mita Geothermal project ("Mita Geothermal"). Cerro Blanco is a proposed near surface gold mining operation located in southeast Guatemala approximately 160 kilometers by road from the capital, Guatemala City. Mita Geothermal is a geothermal energy resource located adjacent to Cerro Blanco. The Company's head and registered office is located at 2000 - 885 West Georgia Street, Vancouver, BC, V6C 3E8. The Company's common shares are listed on the TSX Venture Exchange ("TSXV"), trading under the symbol 'BSR', and on the OTCQB, trading under the symbol 'BBSRF'.

Highlights for the Three Months and Year Ended December 31, 2020

- Subsequent to the year end, on February 28, 2021, the Company announced results of the PEA outlining an alternative development scenario, which highlighted Cerro Blanco's capability of producing over 300 koz gold/year with an average annual production of 231 koz gold/year at all-in sustaining costs of approximately $642/oz over an initial 11 year mine life. The PEA was the result of work completed during 2020 for the project readiness update (the "PRU"), which was announced on January 26, 2021.

- During the three months ended December 31, 2020, the Company completed several important optimization and trade-off studies for the Cerro Blanco underground concept, which included bringing the level of project detail to basic engineering.

- Successfully completed the 2020 infill and step out drilling campaign for a total of 15,171 meters.

- Announced drilling intercepts on December 16, 2020, which included a 7.2 m intercept that assayed 26 g/t Au and 27 g/t Ag. After a temporary hiatus in 2020 Q2 due to restrictions imposed by the COVID-19 pandemic, the Company resumed drilling activities and had a total of five drill rigs operational throughout 2020 Q3 and Q4.

- Announced drilling assays on November 19, 2020, which included a 1.2 m intercept that assayed 1,380 g/t Au and 2,194 g/t Ag, the highest gold assay received in Cerro Blanco's history.

- Announced drilling assays on November 10, 2020, which included a 11.0 m intercept that assayed 86 g/t Au and 365 g/t Ag.

- On May 1, 2020, the Company completed a bought deal financing pursuant to which the Company issued 52.6 million common shares of the Company at C$1.75 per common share and received gross proceeds of $65.4 million (C$92.0 million).

- Entered into a $30 million credit facility (the "Credit Facility") with Natixis and appointed Jack Lundin as Chief Executive Officer and to the Board of Directors on January 27, 2020.

Project Updates

Cerro Blanco

The Company has one principal mining property interest, namely Cerro Blanco, an advanced stage near surface development project located in southern Guatemala. Entre Mares de Guatemala S.A. ("Entre Mares"), a wholly-owned subsidiary of the Company, is the 100% owner of Cerro Blanco.

Preliminary Economic Assessment (PEA)

The recent completion of advanced engineering and optimization work significantly enhanced the understanding of Cerro Blanco and presented an opportunity to capitalize on its near-surface, high-grade mineralization through an open pit development scenario. On February 28, 2021, the Company announced results of the PEA that highlight an optimized project.

Project Updates (cont'd)

The following PEA base case highlights were completed at a gold price of $1,550/oz and a silver price of $20/oz:

- Peak production of 334,000 ounces and average annual production of 231,000 ounces gold over the life of mine ("LOM").
- Average life of mine all-in sustaining costs ("AISC") of $642/oz (net credits).
- Average annual free cash flow of $186 million per year and LOM total free cash flow of $2 billion.
- Net present value ("$NPV_{5\%}$") of $907 million after-tax at a discount rate of 5%.
- After-tax internal rate of return ("IRR") of 28.5%.
- Initial capital of $548 million with an after-tax payback period of 2.6 years.
- LOM production of approximately 2.4 million ounces of gold and 10.3 million ounces of silver over an initial 11-year mine life.
- Measured & Indicated Mineral Resources of 3.0 million ounces of gold and 13.2 million ounces of silver (61.5 million tonnes at 1.5 g/t Au and 6.7 g/t Ag).
- At $1,800/oz gold, the $NPV_{5\%}$ increases to $1.3 billion and the IRR to 36% with a payback of 2.2 years.

The pivot to surface mining was the culmination of the Company's increased understanding of the geology and grade distribution that will realize the full potential of the Cerro Blanco low-sulphidation mineralization. The extensive drilling undertaken to date of the high-grade vein swarms and their surrounding low-grade mineralized envelopes show impressive intercepts, including 203.8 meters grading 2.3 g/t Au and 4.1 g/t Ag (CB20-420) and 87.2 meters grading 5.3 g/t Au and 26 g/t Ag (UGCB18-89). The low-grade mineralization present in the Salinas cap rocks, where the Company currently has five drill rigs operational, make up approximately one-fifth of the Measured & Indicated Mineral Resource ounces and show excellent potential to further grow the Mineral Resource by additional drilling.

The Company plans to follow the well-defined permitting process in Guatemala to advance an environmental impact assessment ("EIA") application, in parallel to completing a bankable feasibility study by the end of 2021 and early in 2022, respectively. This feasibility study will serve as the blueprint for Cerro Blanco's development which the Company is targeting to initiate in late 2022.

The technical report summarizing the results of the PEA is being prepared in accordance with National Instrument 43-101 and will be filed under the Company's profile on SEDAR within 45 days of the February 28, 2021 press release of the PEA.

The PEA is preliminary in nature, it may include Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves, and there is no certainty that the PEA will be realized. Mineral Resources that are not Mineral Reserves have not demonstrated economic viability. The Mineral Resources may be affected by subsequent assessment of mining, environmental, processing, permitting, taxation, socio-economic and other factors.

Project Readiness Update (PRU) project optimizations

During 2020, the PRU was undertaken and involved a thorough and extensive review of the mine plan, engineering, process flow sheet, capital, operating cost estimates and project execution strategy. The PRU was conducted on the underground mining option, but reviewed a trade-off analysis of development options. This led to underground mining option being replaced by the surface mining development plan described in the PEA.

Further to the Mineral Resource update in 2019, an additional 15,171-meters of infill drilling were completed in 2020 which focused on the South Zone, with the goal to improve the definition of key veins in parallel to expanding the mineralization of known veins outside of the current resource envelope. Recently reported results included the highest-grade intercept ever drilled at the project grading 1,380 g/t gold and 2,194 g/t silver over 1.2 meters (see press Release November 19, 2020). The 2020 infill drill program was successfully completed; however, assay results have been delayed due to slower processing times because of the COVID-19 pandemic.

Project Updates (cont'd)

Mita Geothermal

The Company owns a 100% interest in Mita Geothermal through its wholly-owned subsidiary, Geotermia Oriental de Guatemala, S.A. ("Geotermia"). Mita Geotermal is a geothermal energy resource located adjacent to Cerro Blanco and is 7 km from the Pan American Highway near the town of Asuncion Mita, in the region of Jutiapa in Guatemala. In November of 2015, the Government of Guatemala granted Geotermia a 50-year license to build and operate up to a 50-megawatt geothermal plant. It is currently forecasted that Guatemala's energy matrix will transition to a more renewable mix as Guatemala is committed to promoting more renewable energy and expanding the regional market. It is expected that greater private sector engagement will carry out projects of generation and transmission through the development of public-private partnerships. It is also expected that new biddings of energy for 15-year contracts, for renewable generation, will open in 2021, which will be an important incentive for new projects. The Company continues to evaluate advancement options for Mita Geothermal as these developments occur.

Results of Operations for the Three Months Ended December 31, 2020 Compared to the Three Months Ended December 31, 2019

The Company's net loss for the three months ended December 31, 2020 totaled $9,560,183 or $0.07 per share as compared to a net loss of $7,012,413 or $0.09 per share for the three months ended December 31, 2019. Significant expenditures and variances are as follows:

	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019	(Increase) Decrease in Net Loss
Advertising and promotion	**$68,401**	$50,776	($17,625)
Corporate listing and filing fees	**3,742**	3,255	(487)
Exploration and evaluation expenses [(1)]	**6,373,061**	4,944,986	(1,428,075)
Office and administration	**332,498**	235,577	(96,921)
Professional fees	**202,203**	674,051	471,848
Salaries and wages	**602,563**	997,767	395,204
Share-based compensation	**210,685**	148,425	(62,260)
Total expenses	**(7,793,153)**	(7,054,837)	(738,316)
Interest income	**137,083**	46,378	90,705
Finance expenses	**(162,740)**	(3,496)	(159,244)
Accretion expense	**(141,934)**	(50,133)	(91,801)
Other (loss) income	**(257,858)**	1,340	(259,198)
Foreign exchange loss	**(1,576,039)**	(143,834)	(1,432,205)
Loss before income tax	**(9,794,641)**	(7,204,582)	(2,590,059)
Income tax recovery	**234,458**	192,169	42,289
Net loss	**($9,560,183)**	($7,012,413)	($2,547,770)

(1) Exploration and evaluation expenses for the quarters ending December 31, 2020 and 2019 were for the following:

	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019
Cerro Blanco general and exploration expenditures	**$4,106,341**	$2,708,383
Cerro Blanco pre-development	**1,921,776**	711,747
Corporate social responsibility and community relations	**322,266**	765,987
Mita Geothermal evaluation	**19,319**	39,593
Depreciation	**73,383**	83,541
Other projects	**—**	9,247
Change in rehabilitation provision estimates	**(70,024)**	626,488
	$6,373,061	$4,944,986

Summary of Quarterly Results

The following table summarizes selected financial data reported by the Company for the three months ended December 31, 2020 and the previous seven quarters. The Company's condensed interim consolidated financial statements are reported under IFRS applicable to interim financial reporting.

	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Current assets	**$50,498,497**	$56,929,211	$61,721,337	$6,212,614	$3,499,320	$8,148,314	$13,080,500	$16,775,803
Property, plant and equipment	**4,645,876**	5,016,920	5,092,889	5,106,373	5,210,243	5,258,354	5,360,973	5,454,016
Exploration and evaluation asset	**30,126,433**	30,126,433	30,126,433	30,126,433	30,126,433	30,126,433	30,126,433	30,126,433
Total assets	**87,019,390**	93,816,858	98,697,779	43,204,825	40,599,490	45,286,909	50,327,226	54,118,624
Current liabilities	**2,972,845**	3,035,421	2,575,705	12,050,213	3,621,810	2,096,774	1,441,212	1,555,118
Working capital	**47,525,652**	53,893,790	59,145,632	(5,837,599)	(122,490)	6,051,540	11,639,288	15,220,685
Net loss	**(9,560,183)**	(8,639,298)	(5,582,153)	(6,901,328)	(7,012,413)	(5,852,904)	(4,255,423)	(5,175,494)
Basic and diluted loss per share	**(0.07)**	(0.06)	(0.05)	(0.08)	(0.09)	(0.07)	(0.05)	(0.08)
Weighted avg. shares	**143,538,463**	143,231,017	120,661,470	82,412,067	81,898,123	81,898,123	81,849,132	66,239,292

The Company completed an equity financing on May 1, 2020, which resulted in increases to total assets, working capital and shares outstanding. During the three months ended March 31, 2020, loans totaling $10.0 million were drawn from the Credit Facility, resulting in an increase to current liabilities. These loans were repaid in May 2020. Quarterly results mainly fluctuate due to the level of exploration and evaluation activities, such as drilling programs and basic engineering activities. There are no seasonal fluctuations in the results for the presented periods.

Results of Operations for the Year Ended December 31, 2020 Compared to the Year Ended December 31, 2019

The Company's net loss for the year ended December 31, 2020 totaled $30,682,962 or $0.25 per share as compared to a net loss of $22,296,234 or $0.29 per share for the year ended December 31, 2019. Significant expenditures and variances are as follows:

	Year Ended December 31, 2020	Year Ended December 31, 2019	(Increase) Decrease in Net Loss
Advertising and promotion [1]	**$390,977**	$1,154,238	$763,261
Corporate listing and filing fees	**55,207**	48,780	(6,427)
Exploration and evaluation expenses [2]	**20,077,640**	14,743,900	(5,333,740)
Office and administration	**873,472**	769,377	(104,095)
Professional fees	**1,607,436**	1,648,042	40,606
Salaries and wages	**3,344,835**	3,112,019	(232,816)
Share-based compensation	**1,186,011**	897,707	(288,304)
Total expenses	**(27,535,578)**	(22,374,063)	(5,161,515)
Interest income	**447,486**	270,520	176,966
Finance expenses	**(637,632)**	(92,598)	(545,034)
Accretion expense	**(553,683)**	(198,483)	(355,200)
Other (loss) income	**(214,446)**	94,343	(308,789)
Foreign exchange loss	**(1,934,321)**	(310,876)	(1,623,445)
Loss before income tax	**(30,428,174)**	(22,611,157)	(7,817,017)
Income tax (expense) recovery [3]	**(254,788)**	314,923	(569,711)
Net loss	**($30,682,962)**	($22,296,234)	($8,386,728)

(1) Advertising and promotion expenses during the year ended December 31, 2019 included an investor outreach program. Expenses were also comparatively lower during the year ended December 31, 2020 due to a decrease in advertising and promotion activities as the result of COVID-19, which restricted conference attendance and travel activities.

(2) Exploration and evaluation expenses for the fiscal years ending December 31, 2020 and 2019 were for the following:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Cerro Blanco general and exploration expenditures	**$11,736,798**	$10,663,940
Cerro Blanco pre-development	**7,177,566**	1,435,325
Corporate social responsibility and community relations	**875,714**	1,455,883
Mita Geothermal evaluation	**19,319**	101,056
Depreciation	**338,267**	324,467
Other projects	**—**	136,741
Change in rehabilitation provision estimates	**(70,024)**	626,488
	$20,077,640	$14,743,900

(3) Income tax expense is due to the increase of a deferred income tax liability due to the effects of foreign exchange on the tax basis of property, plant and equipment and the exploration and evaluation asset in Guatemala. The tax basis of the assets in Guatemala still exceeds the accounting basis, but the excess which existed at the date of acquisition is treated as a permanent difference for tax accounting purposes.

Summary of Annual Results

The following table summarizes selected financial data reported by the Company for the year ended December 31, 2020 and the previous two fiscal years.

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
Total assets	**$87,019,390**	$40,599,490	$44,255,376
Rehabilitation provisions	**8,436,427**	7,952,768	7,127,797
Net loss	**(30,682,962)**	(22,296,234)	(25,595,384)
Basic and diluted loss per share	**(0.25)**	(0.29)	(0.40)

Annual fluctuations are due to an equity financing completed on May 1, 2020, which resulted in an increase to total assets. Refer to "*Results of Operations for the Year Ended December 31, 2020 Compared to the Year Ended December 31, 2019*" in the MD&A for details of the increase in net loss from the year ended December 31, 2019 to the year ended December 31, 2020.

Liquidity and Capital Resources

Cash increased by $46,303,744 during the year ended December 31, 2020 from $3,030,330 as at December 31, 2019 to $49,334,074 as at December 31, 2020. Cash utilized in operating activities during the year ended December 31, 2020 was $26,339,038 (year ended December 31, 2019 - $19,445,222), mostly for exploration and evaluation expenses. Cash generated by investing activities during the year ended December 31, 2020 was $15,954 (year ended December 31, 2019 - $10,947 used), mainly from interest income offset by purchases of equipment. During the year ended December 31, 2020, the Company generated cash from financing activities of $68,804,424, mainly from an equity financing, compared to $15,752,393 during the year ended December 31, 2019.

As at December 31, 2020, share capital was $168,677,315 and was comprised of 143,547,376 issued and outstanding common shares (December 31, 2019 - $96,107,883 comprised of 81,898,123 shares outstanding). The increase in outstanding common shares during the year ended December 31, 2020 was the result of an equity financing and the exercising of stock options and warrants. Reserves, which decreased due to stock option and warrant exercises, were $10,702,958 (December 31, 2019 - $12,502,950). As a result of the net loss for the year ended December 31, 2020, the deficit at December 31, 2020 increased to $116,530,315 from $85,847,353 at December 31, 2019. Accordingly, shareholders' equity on December 31, 2020 was $73,654,973 compared to $27,324,713 at December 31, 2019.

At present, the Company's operations do not generate cash inflows and its financial success is dependent on its ability to advance Cerro Blanco and Mita Geothermal. This can take many years and is subject to factors that are beyond the Company's control. See *"Risks and Uncertainties*".

In order to finance the Company's operations, the Company has raised money through the sale of equity instruments, the exercise of convertible securities and drawing from a credit facility. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for mineral exploration and resource development investments, the Company's track record, the economics of the PEA and the experience and caliber of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress and results of drilling activities. Management believes it will be able to raise equity capital and/or debt as required but recognizes there will be risks involved that may be beyond its control.

On May 1, 2020, the Company completed a bought deal financing pursuant to which the Company issued 52,578,000 common shares of the Company at C$1.75 per common share and received gross proceeds of $65,414,119 (C$92,011,500). An aggregate of 10,986,428 common shares of the Company issued from the Financing were purchased by related parties. The Company incurred $2,707,204 in fees in connection with the financing during the year ended December 30, 2020.

On March 19, 2019, the Company completed a private placement pursuant to which the Company issued 17,941,321 units at C$1.25 per unit, with each unit consisting of one common share of the Company and one-half of one common share purchase warrant, and received gross proceeds of $16,872,293 (C$22,426,651). Each whole warrant is exercisable at C$1.65 for a period of two years. The Company incurred $989,530 in fees in connection with the private placement during the year ended December 31, 2019.

As at December 31, 2020, the Company had working capital of $47,525,652, which is sufficient to meet the Company's commitments and foreseeable corporate needs, including expenditures required to maintain properties and agreements in good standing.

Liquidity and Capital Resources (cont'd)

Credit Facility

On January 27, 2020, the Company entered into the $30,000,000 Credit Facility. Loans under the Credit Facility (the "Loans") are made available through multiple borrowings. The annual interest rates on the Loans are set based on US LIBOR plus a margin equal to 0.45%. A commitment fee equal to 0.20% per annum on the unused portion of the Credit Facility is payable quarterly in arrears during the availability period. The Loans can be repaid at any time in whole or in part subject to a minimum notice period without penalty. The maturity date for the Loans and the end of the availability period for the Credit Facility is the earlier of (i) the one-year anniversary of the Credit Facility and (ii) the occurrence of certain events, including funding pursuant to a potential senior debt project financing.

The Loans are supported by a guarantee from Nemesia S.à.r.l. ("Nemesia"). In consideration for the guarantee from Nemesia, the Company issued 85,000 common shares to Nemesia with a fair value of $98,012. Nemesia is an affiliate of Zebra Holdings and Investment S.à.r.l. and Lorito Holdings S.à.r.l. (collectively with Nemesia, the "Lundin Entities"), both of which are companies controlled by a trust settled by the late Adolf H. Lundin. The Lundin Entities are shareholders of the Company, making them a related party.

The Company entered into a debenture (the "Debenture") with Nemesia which provides a repayment mechanism in the event of default on Loans. The Debenture may be increased up to $32,000,000 (an amount equivalent to the Credit Facility plus potential interest) at the request of Nemesia but subject to approval of shareholders of the Company. If the Debenture is increased to $32,000,000, an additional 100,000 common shares of the Company will be issued to Nemesia. An additional 3,500 common shares of the Company will be issued to Nemesia for each $500,000 draw down per month on the guarantee from Nemesia, until repayment under the terms of the Debenture.

As of December 31, 2020, the Company had no Loans payable as the $10,000,000 drawn during the three months ended March 31, 2020 was repaid during the three months ended June 30, 2020. The Credit Facility expired on January 27, 2021.

Commitments

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, 2020)		
	Less than one year	**1 - 2 years**	**After 2 years**
Trade and other payables	**$2,972,845**	**$—**	**$—**
Minimum lease payments	**31,913**	**13,298**	**—**
Property, plant and equipment	**508,462**	**—**	**—**
Total contractual obligations	**3,513,220**	**13,298**	**0**
Rehabilitation provisions	**—**	**29,288**	**10,318,113**
	$3,513,220	**$42,586**	**$10,318,113**

Liquidity and Capital Resources (cont'd)

Prospectus supplement - Use of proceeds

In the Company's prospectus supplement dated April 27, 2020, the Company provided a listing of the expected use of proceeds in connection with the prospectus offering. The following provides a comparison of the expected use of proceeds to the actual use of proceeds as of December 31, 2020:

Use of Proceeds to December 31, 2020	Proposed Use of Proceeds Amounts	Actual Use of Proceeds Amounts	Difference [1]
Repayment of loans from the Credit Facility	$10,015,000	$10,036,465	($21,465)
Cerro Blanco basic engineering, front-end loading and optimization	7,059,386	5,831,433	1,227,953
Cerro Blanco detailed engineering and early construction	8,567,456	—	8,567,456
Cerro Blanco general costs, including dewatering, water treatment and community relations	14,856,168	6,823,694	8,032,474
Infill resource drilling and assaying	2,400,000	2,041,296	358,704
Fees relating to project debt financing	4,000,000	1,349,846	2,650,154
Working capital purposes and general & administrative expenditures	7,633,218	3,212,278	4,420,940
	$54,531,228	$29,295,012	$25,236,216

(1) Differences noted did not have a material impact on the Company's ability to achieve its business objectives and milestones as disclosed in the Company's prospectus offering dated April 27, 2020.

Risks and Uncertainties

Operations in Guatemala

Cerro Blanco and Mita Geothermal are located in Guatemala. Guatemala has a history of political unrest. Guatemala suffered an armed conflict for 36 years, which was finally resolved through a peace agreement reached with the country's internal revolutionary movement in 1996. The last political crisis in Guatemala occurred in 1983 and a constitutional government was not restored until 1985. However, renewed political unrest or a political crisis in Guatemala could adversely affect Bluestone's business and results of operations. Guatemala suffers from social problems such as a high crime rate and uncertain land tenure for many indigenous people, which could adversely affect Cerro Blanco and Mita Geothermal. Such adverse effects could result from the efforts of third parties to manipulate local populations into encroaching on the mine lands, challenging the boundaries of such land, impeding mine activities through roadblocks or other public protests or attacks against mine assets or personnel. Bluestone's business may be exposed to a number of risks and uncertainties, including terrorism and hostage taking, military repression, extortion, expropriation or nationalization without adequate compensation, labour unrest, high rates of inflation, arbitrary changes to royalty and tax regimes, extreme fluctuations in currency exchange rates, volatile local, political and economic developments, difficulty with understanding and complying with the regulatory and legal framework respecting the ownership and maintenance of mineral properties, surface rights, mines and mining operations and difficulty obtaining key equipment and components for equipment.

Global Epidemics or Pandemics or Other Health Crises

The Company's business, operations, and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises. In addition, the current outbreak of COVID-19 and any future emergence and spread of similar pathogens could have a material adverse effect on global economic conditions which may adversely impact the Company's business, exploration, development, and operations of the Company's suppliers, contractors, and service providers. The spread of epidemics or pandemics or other health crises to areas where Bluestone operates may have a significant adverse impact on the Company's workforce and the Company's ability to continue exploration and development. Moreover, the spread of epidemics or pandemics or other health crises globally could also have a material adverse effect on the regional economies in which Bluestone operates, could continue to negatively impact stock markets, including the trading price of the Company's common shares, could adversely impact the Company's ability to raise capital, could cause continued interest rate volatility and movements that could make obtaining financing more challenging or more expensive and could result in any operations affected by coronavirus becoming subject to quarantine. Any of these developments, and others, could have a material adverse effect on the Company's business and results of operations.

Licenses and Title to Assets

The validity of the licenses related to Cerro Blanco and Mita Geothermal can be uncertain and may be contested. There is no assurance that applicable governmental bodies will not revoke or significantly alter the conditions of applicable licenses that are required by Cerro Blanco and Mita Geothermal. Changes to Guatemalan laws, including new mining legislation or adverse court rulings, could materially and adversely impact Bluestone's rights to exploration and exploitation licenses necessary for Cerro Blanco and Mita Geothermal. There is no guarantee that title to Cerro Blanco and Mita Geothermal or surface rights will not be challenged or impugned. Bluestone's properties may be subject to prior unregistered liens, agreements or transfers, indigenous land claims, Guatemalan Constitutional challenges or undetected title defects.

In order to maintain the licenses for Cerro Blanco and Mita Geothermal in good standing, the Company must comply with the terms of the licenses, which include achieving certain development milestones for the projects. The Company understands that there are currently no expiry proceedings regarding the Cerro Blanco license; however, there can be no assurance that the GDM will not commence expiry proceedings in the future. No expiry proceedings affecting Mita Geothermal have previously been commenced; however, there can be no assurance that proceedings will not be commenced in the future for failure to meet the requirements in the exploitation license. In the event that cancellation proceedings are commenced, the Company understands that it will have a reasonable opportunity to cure any default or deficiency.

Risks and Uncertainties (cont'd)

Maintaining and Obtaining Licenses and Permits

In the ordinary course of business, the Company will be required to maintain and obtain governmental licenses or permits for the development, construction and commencement of commercial production at Cerro Blanco and Mita Geothermal and other potential projects. Maintaining and obtaining the necessary governmental licenses or permits is a complex and time-consuming process involving numerous jurisdictions and often involving public comment periods and costly undertakings on the part of the Company. The duration and success of the Company's efforts to maintain and obtain licenses or permits are contingent upon many variables not within the Company's control, including local politics, legal challenges and the interpretation of applicable requirements implemented by the licensing or permitting process which could prevent or delay the development or impede the operation of a mine, which could adversely impact the Company's operations and profitability. Potential delays in approval of license or permit amendments and/or new licenses or permits could result in increased duration of assumed project development schedule. The surface mining operation outlined in the PEA will require a new EIA permit. There is no guarantee that any required license or permit amendments and/or required new licenses or permits will be obtained.

Environmental Hazards

All phases of Bluestone's future operations with respect to Cerro Blanco and Mita Geothermal will be subject to environmental regulation in Guatemala. Environmental legislation in Guatemala involves strict standards and may entail increased scrutiny, fines and penalties for non-compliance, stringent environmental assessments of proposed projects and a high degree of responsibility for companies and their officers, directors and employees. Changes in environmental regulation, if any, may adversely impact Bluestone's operations and future potential profitability. In addition, environmental hazards which are currently unknown may exist on Cerro Blanco and Mita Geothermal. Bluestone may be liable for losses associated with such hazards or may be forced to undertake extensive remedial clean-up action or to pay for governmental remedial clean-up actions, even in cases where such hazards have been caused by previous or existing owners or operators of the property, or by the past or present owners of adjacent properties or by natural conditions. The costs of such clean-up actions may have a material adverse impact on Bluestone's operations and future potential profitability. Bluestone assumes all environmental liabilities arising from past, present and future activities on Cerro Blanco and Mita Geothermal.

Governmental Laws and Regulations

Bluestone's operations, exploration and development activities with respect to Cerro Blanco and Mita Geothermal will be subject to the laws and regulations of Guatemala that govern various matters, including environmental protection, management and use of toxic substances and explosives, management of natural resources, exploration, development, production, post-closure reclamation of mines, imports and exports, price controls, taxation, mining royalties, labour standards and occupational health and safety, including mine safety and historic and cultural preservation. The costs associated with legal compliance are substantial. In addition, possible future laws and regulations, changes to existing laws and regulations (including the imposition of higher taxes and mining royalties which have been, or may be, implemented or threatened and the adoption of laws and regulations by neighbouring jurisdictions) or more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expense, capital expenditures, restrictions on or suspension of operations and planned operations at Cerro Blanco and Mita Geothermal. Moreover, these laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damages to property and injury to persons resulting from the environmental, health and safety impacts of Bluestone's operations, which lawsuits can potentially be heard in British Columbia courts. Such legal actions could lead to the imposition of substantial fines, penalties or other civil or criminal sanctions. It may be difficult to strictly comply with all regulations that may be imposed on Bluestone. Bluestone has individuals and consultants to assist it with compliance with such laws and regulations; however, even with the application of considerable skill Bluestone may inadvertently fail to comply with certain laws. Failure to comply with laws and regulations could lead to financial restatements, fines, penalties, loss, reduction or expropriation of entitlements, the imposition of additional local, foreign or governmental parties as joint venture partners with carried or other interests and other material negative impacts on Bluestone.

Risks and Uncertainties (cont'd)

Community Action

In recent years, certain communities of both indigenous people and others, as well as non-governmental organizations ("NGOs"), in Guatemala have been vocal and negative with respect to mining activities in Guatemala and Cerro Blanco in particular. These communities and NGOs have taken such actions as protests, road closures, work stoppages and initiating lawsuits for damages. Cerro Blanco has also triggered opposition in El Salvador on the belief that Cerro Blanco poses threats to Lake Guija and the rivers which are located in the border region of Guatemala and El Salvador. These actions relate not only to current activities but often in respect to decades-old mining activities by prior owners of mining properties. Such actions by communities and NGOs may have a material adverse effect on Bluestone's operations at Cerro Blanco and Mita Geothermal and on Bluestone's financial position, cash flow and results of operations.

Uncertainty of Development Projects

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

It is not unusual in new mining operations to experience unexpected problems during the start-up phase and delays can often occur at the start of production. It is likely that actual results for Cerro Blanco will differ from current estimates and assumptions described in the Technical Report, and these differences may be material. In addition, experience from actual mining or processing operations may identify new or unexpected conditions that could reduce production below, or increase capital or operating costs above, current estimates. If actual results are less favourable than currently estimated, Bluestone's business, results of operations, financial condition and liquidity could be materially adversely affected.

Fluctuations in the market price of gold, silver and other metals may significantly adversely affect the value of the Company's securities and the ability of the Company to develop Cerro Blanco.

The value of the Company's securities may be significantly affected by the market price of gold, silver and other metals, which are cyclical and subject to substantial price fluctuations. Market prices can be affected by numerous factors beyond the Company's control, including levels of supply and demand for a broad range of industrial products, economic growth rates of various international economies, expectations with respect to the rate of inflation, the relative strength of various currencies, interest rates, speculative activities, global or regional political or economic circumstances and sales or purchases of gold and silver or other metals by holders in response to such factors.

Risks and Uncertainties (cont'd)

Estimates of Mineral Resources

The mineral resource estimates described in the PEA are only estimates and no assurance can be given that any particular level of recovery of minerals will be realized or that an identified mineral resource will ever qualify as a commercially mine-able (or viable) deposit which can be legally and economically exploited. Bluestone relies on laboratory-based recovery models to project estimated ultimate recoveries by mineral type. Actual recoveries may exceed or fall short of projected laboratory test results. In addition, the grade of mineralization ultimately mined may differ from the one indicated by the drilling results and the difference may be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations, inaccurate or incorrect geologic, metallurgical or engineering work and work interruptions, among other things. Short term factors, such as the need for an orderly development of deposits or the processing of new or different grades may have an adverse effect on mining operations or the results of those operations. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. The estimated mineral resources described in the PEA should not be interpreted as assurances of mine life or of the profitability of future operations.

Preliminary Nature of the PEA

The PEA is preliminary in nature, it may include Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves, and there is no certainty that the PEA will be realized. Mineral Resources that are not Mineral Reserves have not demonstrated economic viability. The Mineral Resources may be affected by subsequent assessment of mining, environmental, processing, permitting, taxation, socio-economic, and other factors.

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

Mineral project development is a speculative business. Mining operations generally involve a high degree of risk which, even with a combination of experience, knowledge and careful evaluation, may not be able to be overcome. The business of mining is subject to a variety of risks, such as industrial accidents, flooding, environmental hazards such as fires, technical failures, labour disputes and other accidents at the mine facilities, which could materially adversely affect future mining operations and Bluestone’s financial position. Such occurrences, against which Bluestone cannot or may elect not to insure, may delay production, increase production costs or result in liability. The payment of such liabilities may have a material adverse effect on Bluestone’s financial position. Mining operations such as those proposed at Cerro Blanco are also subject to technical challenges including, but not limited to, hot water management that will be encountered during the mine dewatering effort. While Bluestone believes that these challenges can be managed, there can be no assurance that they can be managed in a safe and cost-effective manner. The marketability of minerals acquired or discovered by Bluestone may be affected by numerous factors which are beyond the control of Bluestone and which cannot be accurately predicted, such as, but not limited to, market fluctuations, the proximity and capacity of mining facilities, mineral markets and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection, any of which could result in Bluestone not receiving an adequate return on invested capital.

Risks and Uncertainties (cont'd)

Anti-corruption Laws

Bluestone's operations are governed by, and involve interactions with, many levels of government in Guatemala. Bluestone is required to comply with anti-corruption and anti-bribery laws, including the Canadian *Corruption of Foreign Public Officials Act* and the U.S. Foreign Corrupt Practices Act. In recent years, there has been a general increase in both the frequency of enforcement and the severity of penalties under such laws, resulting in greater scrutiny and punishment to companies convicted of violating anti-corruption and anti-bribery laws. Furthermore, a company may be found liable for violations by not only its employees, but also by its contractors and third-party agents. Bluestone's internal procedures and programs may not always be effective in ensuring that Bluestone, its employees, contractors or third-party agents will comply strictly with such laws. If Bluestone becomes subject to an enforcement action or in violation of such laws, this may have a material adverse effect on Bluestone's reputation, result in significant penalties, fines and/or sanctions imposed on Bluestone, and/or have a material adverse effect on Bluestone's operations.

Tax Risks

Changes to, or differing interpretations of, taxation laws or regulations in any of Canada, Barbados and Guatemala or any of the countries in which the Company's assets or relevant contracting parties are located could result in some or all of the Company's profits being subject to additional taxation. Taxation laws are complex, subject to differing interpretations and applications by the relevant tax authorities. There is no assurance that new taxation rules or accounting policies will not be enacted or that existing rules will not be applied in a manner which could result in the Company's profits being subject to additional taxation or which could otherwise have a material adverse change on profitability, results of operations, financial condition and the trading price of the Company's securities. Additionally, the introduction of new tax rules or accounting policies, or changes to, or differing interpretations of, or application of, existing tax rules or accounting policies could make investments by the Company less attractive to counterparties. Such changes could adversely affect the Company's ability to acquire new assets or make future investments.

Reliance on Third Parties and Risk Associated with Foreign Subsidiaries

The Company relies on the services of third parties for certain aspects of exploration, development and mining and geothermal operations and there is no assurance that these third parties will be available to the Company in the future on acceptable commercial terms, or at all. If the Company were to lose one or more of these third-party providers, it may not be able to replace them in a cost-effective manner, or at all. This could adversely affect the business and the results of operations of the Company. Additionally, the Company conducts its business in Guatemala through one or more Guatemalan subsidiaries. Any limitations on the transfer of cash or other assets between the Company and such subsidiaries or the perception that such limitation may exist now or in the future, could have an adverse impact on the Company's valuation and the price of its securities.

Property Commitments

The Company's properties may be subject to various land payments, royalties and/or work commitments. Failure by the Company to meet its payment obligations or otherwise fulfill its commitments under these agreements could result in the loss of related property interests.

Risks and Uncertainties (cont'd)

Limited Operational History

The Company has a limited history of operations and there is no reasonable prospect for the generation of material revenue by the Company at least until such time as commercial production of gold commences at Cerro Blanco. The Company is subject to many risks, including under-capitalization, cash shortages limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on securityholders' investment and the likelihood of success must be considered in light of its early stage of operations. Additionally, the Company has no intention of paying any dividends in the near future. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing, if able to be obtained, will be favourable.

Substantial Capital Requirements

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

Acquisition Risk

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

Future Sales or Issuances of Common Shares

The Company may issue common shares or other securities to finance future activities. The Company cannot predict the size of future issuances of securities or the effect, if any, that future issuances and sales of securities will have on the market price of the common Shares. Sales or issuances of substantial numbers of common shares, or the perception that such sales could occur, may adversely affect prevailing market prices of the common shares. With any additional sale or issuance of common shares, investors will suffer dilution to their voting power and the Company may experience dilution in its earnings per share. The exercise of stock options, warrants and other exchangeable or convertible securities already issued by the Company and the issuance of additional securities in the future could result in dilution in the value of the common shares and the voting power represented by such shares. To the extent holders of the Company's stock options or other securities exercise their securities and sell the common shares they receive, the trading price of the common shares on the TSXV may decrease due to the additional amount of common shares available in the market.

Risks and Uncertainties (cont'd)

Competition

The mining industry is intensely competitive, and Bluestone competes with many companies that have more financial and technical resources. Since mines have a limited life, the Company must compete with others who seek mineral reserves through the acquisition of new properties. In addition, the Company also competes for the technical expertise needed to find, develop and operate such properties, the labour to operate the properties and the capital for the purpose of funding such properties. Many competitors not only explore for and mine metals but conduct refining and marketing operations on a global basis. Such competition may result in the Company being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund the Company's operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect Bluestone's prospects for mineral exploration and development and success in the future. In addition, some of the Company's competitors may have an advantageous market position and have greater financial and other resources and may, therefore, be able to better withstand poor and volatile market conditions, obtain financing on better terms and attract better or more qualified employees, any of which may have an adverse impact on the Company's business, financial condition and results of operations. There can be no assurance that the Company can compete effectively with these companies.

Dependence on Key Personnel

Bluestone is reliant on key personnel employed or engaged by the Company. Loss of such personnel may have a material impact on the performance of Bluestone. In addition, the recruiting of qualified personnel is critical to the Company's success. As the Company's business grows, it will require additional key financial, administrative, mining, marketing and public relations personnel as well as additional staff for operations. While Bluestone believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

Changes in Climate Conditions

Governments are moving to introduce climate change legislation and treaties at the international, national, state/province and local levels. Regulation relating to emission levels (such as carbon taxes) and energy efficiency is becoming more stringent. If the current regulatory trend continues, Bluestone expects that this will result in increased costs. In addition, physical risk of climate change may also have an adverse effect on Bluestone's operations. These risks include sea level rise, extreme weather events, and resource shortages due to disruption of delivery items. The Company can provide no assurance that efforts to mitigate the risks of climate changes will be effective.

Control Person of the Company

Certain shareholders exercise control or direction over an aggregate of approximately 27% of the issued and outstanding common shares. As such, these shareholders may have the ability to substantially affect the outcome of matters submitted to the shareholders of the Company for approval. The Company's interests and those of the major shareholders may at times conflict, and this conflict might be resolved against the Company's interests. Sales of shares by major shareholders can have a negative effect on the Company's share price.

Risks and Uncertainties (cont'd)

Public Company Requirements

As a public company, Bluestone is subject to the reporting requirements of the Canadian securities regulators, the listing requirements of the TSXV and other applicable securities rules and regulations. Compliance with these rules and regulations has increased, and will likely continue to increase, the Company's legal and financial compliance costs, make some activities more difficult, time-consuming or costly and place significant strain on the Company's personnel, systems and resources. In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time. This could result in continuing uncertainty regarding compliance matters, higher administrative expenses and a diversion of management's time and attention. Further, if the Company's compliance efforts differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against the Company and the Company's business may be harmed. Being a public company that is subject to these rules and regulations also makes it more expensive for Bluestone to obtain and retain director and officer liability insurance, and Bluestone may in the future be required to accept reduced coverage or incur substantially higher costs to obtain or retain adequate coverage.

Marketability of Natural Resources

The mining industry in general is intensely competitive and there is no assurance that, even if commercial quantities of mineral resources are discovered, a profitable market will exist for the sale of such minerals. Factors beyond the control of Bluestone may affect the marketability of any mineral occurrences discovered. The price of metals and minerals has experienced volatile and significant price movements over short periods of time and is affected by numerous factors beyond the control of Bluestone, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods.

Conflicts of Interest

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

Risks and Uncertainties (cont'd)

Uninsurable Risks

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

Infrastructure

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

Price Volatility of Publicly Traded Securities

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

Risk of Fines and Penalties

The Company may be subject to potential fines and penalties in local jurisdictions where it conducts business, resulting from changes in policy or otherwise. To mitigate these risks, the Company monitors compliance with local regulations governing companies through its local legal counsel experienced in applicable legal matters.

The Successful Development of Cerro Blanco and Mita Geothermal Cannot Be Guaranteed

Development projects are subject to the completion of successful feasibility studies and environmental assessments, issuance of necessary governmental permits and availability of adequate financing. The economic feasibility of development projects is based on many factors such as: estimation of mineral reserves, anticipated metallurgical recoveries, environmental considerations and permitting and anticipated capital and operating costs of these projects. Development projects are uncertain, and it is possible that actual capital and operating costs and economic returns will differ significantly from those estimated for a project prior to production.

The Company cannot be certain that it will successfully develop Cerro Blanco or Mita Geothermal. Any failure to successfully develop Cerro Blanco or Mita Geothermal could have a material adverse effect on the Company's business and results of operations.

Risks and Uncertainties (cont'd)

Information Technology Security Risks

Bluestone maintains information technology infrastructure, applications and communications networks to support its business activities. These systems could be subject to security breaches resulting in theft, disclosure or corruption of information, including information relating to acquisitions and divestments, strategic decision-making, investment market communications or commercially sensitive information relating to major contracts. Security breaches could also result in misappropriation of funds or disruptions to business operations.

Litigation Risk

The Company is subject to litigation risks. The mining industry is subject to legal risks and claims. Such legal claims can relate to various matters including, without limitations, mining laws, environmental laws, labour laws and anti-corruption and anti-bribery laws in the jurisdictions in which the Company operates. Defense and settlement costs associated with legal claims can be substantial, even with respect to claims that are frivolous or have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding to which the Company is or may become subject could have a material adverse impact on its financial performance, cash flow and results of operations.

Share Price Risk

The market price of a publicly traded stock is affected by many variables not directly related to the success of the Company, including the market for all resource sector shares, the breadth of the public market for the stock, and the attractiveness of alternative investments. The effect of these and other factors on the market price of the Common Shares of the Company on the Exchange suggests that the share price will be volatile.

Outstanding Share Data

Bluestone's authorized capital consists of an unlimited number of common shares and an unlimited number of preferred shares without par value. No preferred shares have been issued to date. The following common shares, options and share purchase warrants are outstanding as at March 16, 2021:

	Number of Shares	Exercise Price C$	Remaining life (years)
Issued and Outstanding Common Shares	148,287,916		
Stock options	5,685,667	1.15 - 1.89	0.04 - 4.19
Warrants	3,990,112	1.65	0.01
Fully diluted at March 16, 2021	**157,963,695**		

Off Balance Sheet Arrangements

The Company does not utilize off balance sheet arrangements.

Transactions with Related Parties

Key management compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consist of the following executive and non-executive positions of the Company for the years ended December 31, 2020 and 2019: Members of the Board of Directors; Executive Chairman; President; Chief Executive Office; Chief Financial Officer; Vice President, Project Development; and Vice President, Exploration. The remuneration of key management personnel included in the consolidated statements of loss and comprehensive loss is as follows:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Salaries and benefits	**$1,950,661**	$1,869,213
Share-based compensation	**995,188**	632,913
	$2,945,849	$2,502,126

Accrued compensation due to key management as at December 31, 2020 was $637,763 (December 31, 2019 - $721,435). The balance payable was in connection with the payment of short-term incentives related to the year ended December 31, 2020.

Financial Instruments and Financial Risk Management

A description of the Company's financial instruments and financial risk management can be found in notes 14 and 15, respectively, of the Company's audited consolidated financial statements for the year ended December 31, 2020.

Significant Accounting Policies, Estimates and Judgments

A description of the Company's significant accounting policies, estimates and judgments, can be found in note 2(q), of the Company's audited consolidated financial statements for the year ended December 31, 2020.

New Standards and Future Accounting Changes

A description of new IFRS standards and future accounting changes of the Company can be found in note 2(r) of the Company's audited consolidated financial statements for the year ended December 31, 2020.

Disclosure of Internal Controls

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence that: (i) the audited consolidated financial statements for the year ended December 31, 2020 do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, and (ii) the audited consolidated financial statements for the year ended December 31, 2020 fairly present in all material respects the financial condition, results of operations and cash flow of the Company.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing the certificate are not making any representations relating to the establishment and maintenance of:

1. Controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

2. A process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Approval

The Board of Directors of Bluestone has approved the disclosure contained in this MD&A on March 16, 2021. A copy of this MD&A will be provided to anyone who requests it.

Additional Information

Additional Information relating to Bluestone, including its most recent Annual Information Form, is available on SEDAR at www.sedar.com or can be obtained by contacting:

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