

Bluestone **RESOURCES INC.**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Nine Months Ended September 30, 2021 and 2020

(Unaudited)

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

(Expressed in United States dollars - Unaudited)

	Notes	September 30, 2021	December 31, 2020
Current assets			
Cash and cash equivalents		\$31,812,009	\$49,334,074
Accounts receivable		69,702	373,537
Equity securities		229,984	297,730
Prepaid expenses and other current assets		320,735	412,149
Inventory		115,548	81,007
		32,547,978	50,498,497
Non-current assets			
Restricted cash		1,766,307	1,748,584
Property, plant and equipment	3	14,201,894	4,645,876
Exploration and evaluation asset		30,126,433	30,126,433
Total assets		\$78,642,612	\$87,019,390
Current liabilities			
Trade and other payables	4	\$4,316,707	\$2,980,812
		4,316,707	2,980,812
Non-current liabilities			
Other liabilities	4	1,911,297	—
Rehabilitation provisions		8,752,204	8,436,427
Deferred income tax liabilities		1,613,764	1,947,178
Total liabilities		16,593,972	13,364,417
Shareholders' equity			
Share capital	5	178,385,235	168,677,315
Reserves		10,960,945	10,702,958
Accumulated other comprehensive income		11,178,876	10,805,015
Deficit		(138,476,416)	(116,530,315)
Total shareholders' equity		62,048,640	73,654,973
Total liabilities and shareholders' equity		\$78,642,612	\$87,019,390

Events after the reporting period (note 3)

Approved on November 16, 2021, on behalf of the Board of Directors:*"Zara Boldt"*

Zara Boldt, Director

"Jack Lundin"

Jack Lundin, Director

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

Bluestone Resources Inc.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in United States dollars - Unaudited)

	Notes	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Operating expenses					
Exploration and evaluation expenses	6	\$6,314,282	\$5,672,863	\$16,765,499	\$13,704,579
General and administration					
Advertising and promotion		59,030	114,612	341,482	322,576
Corporate listing and filing fees		22,934	3,362	93,957	51,465
Office and general		340,137	188,728	921,239	540,974
Professional fees		58,831	334,127	223,081	1,405,233
Salaries and wages		715,350	903,252	2,236,059	2,742,272
Share-based compensation	5	187,790	206,123	1,365,517	975,326
		(7,698,354)	(7,423,067)	(21,946,834)	(19,742,425)
Other income (expenses)					
Interest income		76,970	155,350	304,532	310,403
Finance expenses		(5,236)	(162,899)	(70,150)	(474,892)
Accretion expense		(106,551)	(139,566)	(315,777)	(411,749)
Other (loss) income		—	(11,189)	(13,462)	43,412
Foreign exchange gain (loss)		528,902	(512,988)	(225,143)	(358,282)
Loss before income tax		(7,204,269)	(8,094,359)	(22,266,834)	(20,633,533)
Income tax recovery (expense)		75,088	(544,939)	320,733	(489,246)
Net loss		(7,129,181)	(8,639,298)	(21,946,101)	(21,122,779)
Other comprehensive income items that will not be reclassified to net loss:					
(Loss) gain on equity securities		(68,749)	450,140	(68,749)	462,917
Translation adjustment		(987,449)	1,324,510	442,610	3,047,291
Comprehensive loss		(\$8,185,379)	(\$6,864,648)	(\$21,572,240)	(\$17,612,571)
Weighted average number of common shares outstanding – basic and diluted		150,158,483	143,231,017	148,440,506	115,536,297
Basic and diluted loss per common share		(\$0.05)	(\$0.06)	(\$0.15)	(\$0.18)

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

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

(Expressed in United States dollars - Unaudited)

	Notes	Share capital		Reserves	Accumulated other comprehensive income	Deficit	Total shareholders' equity
		Shares	Amount				
Balance, January 1, 2020		81,898,123	\$96,107,883	\$12,502,950	\$4,561,233	(\$85,847,353)	\$27,324,713
Bought deal financing, net of fees		52,578,000	62,706,915	—	—	—	62,706,915
Credit facility consideration		85,000	98,012	—	—	—	98,012
Share-based compensation	5	—	83,951	891,375	—	—	975,326
Exercise of options	5	5,198,333	8,027,654	(2,469,185)	—	—	5,558,469
Exercise of warrants	5	3,777,920	1,638,480	(430,121)	—	—	1,208,359
Comprehensive income (loss) for the period		—	—	—	3,510,208	(21,122,779)	(17,612,571)
Balance, September 30, 2020		143,537,376	\$168,662,895	\$10,495,019	\$8,071,441	(\$106,970,132)	\$80,259,223
Balance, January 1, 2021		143,547,376	\$168,677,315	\$10,702,958	\$10,805,015	(\$116,530,315)	\$73,654,973
Share-based compensation	5	—	—	1,365,517	—	—	1,365,517
Exercise of options	5	526,667	780,453	(156,288)	—	—	624,165
Exercise of warrants	5	6,084,440	8,927,467	(951,242)	—	—	7,976,225
Comprehensive income (loss) for the period		—	—	—	373,861	(21,946,101)	(21,572,240)
Balance, September 30, 2021		150,158,483	\$178,385,235	\$10,960,945	\$11,178,876	(\$138,476,416)	\$62,048,640

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

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

	Notes	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Cash used in operating activities			
Net loss for the period		(\$21,946,101)	(\$21,122,779)
Adjustments for:			
Accretion expense		315,777	411,749
Depreciation	3	245,903	347,015
Share-based compensation	5	1,365,517	975,326
Interest income		(304,532)	(130,701)
Finance expenses		8,671	114,929
Other loss		18,436	11,189
Change in non-current other liabilities		659,819	—
Income tax (recovery) expense		(320,733)	488,892
Non-cash foreign exchange loss		261,414	523,926
Changes in non-cash working capital:			
Accounts receivable		36,679	(226,342)
Prepaid expenses and other current assets		92,054	97,412
Inventory		(34,541)	13,540
Trade and other payables		148,137	(452,211)
Cash used in operating activities before income taxes paid		(19,453,500)	(18,948,055)
Income taxes paid		—	(5,168)
Cash used in operating activities		(19,453,500)	(18,953,223)
Cash used in investing activities			
Purchase of property, plant and equipment		(7,345,886)	(158,588)
Interest received		576,667	130,701
Cash used in investing activities		(6,769,219)	(27,887)
Cash generated by financing activities			
Proceeds from equity financing		—	65,414,119
Equity financing fees		—	(2,707,204)
Proceeds from exercise of options		624,165	5,558,469
Proceeds from exercise of warrants		7,976,225	1,208,359
Funds received from loans		—	10,000,000
Repayment of loans		—	(10,000,000)
Credit facility fees		(4,500)	(467,897)
Lease principal repayments		(27,195)	(77,624)
Interest paid		(4,171)	(78,679)
Cash generated by financing activities		8,564,524	68,849,543
Effects of foreign exchange rate changes on cash and cash equivalents		136,130	2,448,132
(Decrease) increase in cash and cash equivalents		(17,522,065)	52,316,565
Cash and cash equivalents, beginning of the period		49,334,074	3,030,330
Cash and cash equivalents, end of the period		\$31,812,009	\$55,346,895

Supplemental cash flow information (note 10)

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

Bluestone Resources Inc.

Notes for the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Expressed in United States dollars - Unaudited)

1. Nature of Operations

Bluestone Resources Inc. ("Bluestone" or the "Company"), incorporated on November 7, 2000, under the Business Corporations Act (Alberta) and continued into British Columbia on June 13, 2005, is a natural 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 2000, 885 West Georgia Street, Vancouver, BC, V6C 3E8. The Company is listed on the TSX Venture Exchange, trading under the symbol 'BSR', and on the OTCQB, trading under the symbol 'BBSRF'.

2. Significant Accounting Policies, Estimates and Judgments

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

These condensed interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2020.

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

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 16, 2021.

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

The Company continues to closely monitor developments in the novel coronavirus ("COVID-19") pandemic, including the potential impact on the Company's operations. The impact of COVID-19 is uncertain and COVID-19 could have a significant impact on the Company if the Company or its suppliers are not able to maintain operations.

b) Significant accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of judgments and/or estimates that affect the amounts reported and disclosed in the consolidated financial statements and related notes. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ materially from the amounts included in the financial statements. The critical estimates and judgments applied in the preparation of the unaudited condensed interim consolidated financial statements for the nine months ended September 30, 2021, are consistent with those applied and disclosed in note 2(q) to the Company's audited consolidated financial statements for the year ended December 31, 2020.

Bluestone Resources Inc.

Notes for the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Expressed in United States dollars - Unaudited)

3. Property, Plant and Equipment

	September 30, 2021			
	Land	Plant and equipment ⁽¹⁾	ROU assets	Total
Cost				
Balance, January 1, 2021	\$907,858	\$4,799,044	\$215,735	\$5,922,637
Additions	9,399,493	416,152	—	9,815,645
Disposals	—	(86,860)	—	(86,860)
Translation differences	—	4,166	546	4,712
Balance, September 30, 2021	10,307,351	5,132,502	216,281	15,656,134
Accumulated depreciation				
Balance, January 1, 2021	—	(1,099,219)	(177,542)	(1,276,761)
Charge for the year	—	(213,388)	(32,515)	(245,903)
Disposals	—	68,424	—	68,424
Balance, September 30, 2021	—	(1,244,183)	(210,057)	(1,454,240)
Net book value at September 30, 2021	\$10,307,351	\$3,888,319	\$6,224	\$14,201,894

⁽¹⁾ Includes assets under construction of \$1,166,222 at September 30, 2021.

	December 31, 2020			
	Land	Plant and equipment ⁽²⁾	ROU assets	Total
Cost				
Balance, January 1, 2020	\$907,858	\$4,965,757	\$217,881	\$6,091,496
Additions	—	159,397	—	159,397
Write-downs	—	(324,912)	—	(324,912)
Translation differences	—	(1,198)	(2,146)	(3,344)
Balance, December 31, 2020	907,858	4,799,044	215,735	5,922,637
Accumulated depreciation				
Balance, January 1, 2020	—	(792,523)	(88,730)	(881,253)
Charge for the year	—	(360,000)	(88,812)	(448,812)
Write-downs	—	53,304	—	53,304
Balance, December 31, 2020	—	(1,099,219)	(177,542)	(1,276,761)
Net book value at December 31, 2020	\$907,858	\$3,699,825	\$38,193	\$4,645,876

⁽²⁾ Includes assets under construction of \$812,708 at December 31, 2020.

Subsequent to the reporting period, the Company acquired land with costs totaling \$998,594. These lands were paid for with cash and cash equivalents designated for the purchases as at September 30, 2021.

Bluestone Resources Inc.

Notes for the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Expressed in United States dollars - Unaudited)

4. Trade and Other Payables

	September 30, 2021	December 31, 2020
Trade payables	\$965,186	\$1,095,261
Accrued liabilities	1,238,635	588,523
Lease liability	8,394	35,586
Payroll liabilities	1,009,459	1,261,442
Other liabilities ⁽¹⁾	3,006,330	—
	\$6,228,004	\$2,980,812
Non-current portion of other liabilities ⁽¹⁾⁽²⁾	(1,911,297)	—
Current trade and other payables	\$4,316,707	\$2,980,812

⁽¹⁾ Other liabilities includes amounts relating to land purchase agreements payable in 2022 and 2023. As at September 30, 2021, current and non-current other liabilities relating to these agreements were \$1,095,033 and \$1,251,478, respectively.

⁽²⁾ The Company has agreements with previous landowners from which the Company had purchased land. These agreements do not relate to the purchases of land. As at September 30, 2021, non-current other liabilities relating to these agreements were \$659,819, which was recognized as exploration and evaluation expenses in the consolidated statement of loss during the three months ended September 30, 2021. The Company is required to make these payments in 2023.

5. Share Capital

As at September 30, 2021, the Company's authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

a) Warrants

The changes in warrants outstanding during the nine months ended September 30, 2021, and year ended December 31, 2020, are as follows:

	September 30, 2021		December 31, 2020	
	Number of warrants	Weighted avg. exercise price (C\$/warrant)	Number of warrants	Weighted avg. exercise price (C\$/warrant)
Outstanding, beginning of period	8,730,652	\$1.65	12,508,572	\$1.28
Exercised	(6,084,440)	(1.65)	(3,777,920)	(0.43)
Expired	(2,646,212)	(1.65)	—	—
Outstanding, end of period	—	\$—	8,730,652	\$1.65

Bluestone Resources Inc.**Notes for the Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2021 and 2020**

(Expressed in United States dollars - Unaudited)

5. Share Capital (cont'd)**b) Stock options**

The changes in stock options outstanding during the nine months ended September 30, 2021, and year ended December 31, 2020, are as follows:

	September 30, 2021		December 31, 2020	
	Number of options	Weighted avg. exercise price (C\$/option)	Number of options	Weighted avg. exercise price (C\$/option)
Outstanding, beginning of period	5,685,667	\$1.57	7,735,000	\$1.43
Granted	2,715,000	1.70	3,169,000	1.78
Exercised	(526,667)	(1.49)	(5,208,333)	(1.49)
Forfeited	(141,000)	(1.70)	(10,000)	(1.50)
Outstanding, end of period	7,733,000	\$1.62	5,685,667	\$1.57

5,488,667 of the stock options outstanding as at September 30, 2021, are exercisable at a weighted average exercise price of C\$1.58 per option.

The weighted average fair value of the stock options granted during the nine months ended September 30, 2021 (year ended December 31, 2020), was estimated to be C\$0.66 (C\$0.60) per stock option using the Black-Scholes option pricing model with the following weighted average assumptions: Risk-free rate - 0.55% (0.49%), volatility - 54.15% (50.00%), dividend yield - 0% (0%), expected life - 3 years (3 years). The stock options granted during the nine months ended September 30, 2021, have an expiry date of March 18, 2026.

During the three and nine months ended September 30, 2021, the Company recognized share-based compensation expense of \$187,790 and \$1,365,517 (three and nine months ended September 30, 2020 - \$206,123 and \$891,375), respectively, in the consolidated statement of loss relating to the stock options.

6. Exploration and Evaluation Expenses

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Cerro Blanco general and exploration expenditures	\$3,726,855	\$2,837,579	\$10,288,037	\$7,630,457
Cerro Blanco feasibility study, preliminary economic assessment and pre-development expenditures	1,912,265	2,634,591	4,899,156	5,255,790
Corporate social responsibility and community relations	607,782	111,122	1,351,335	553,448
Mita Geothermal evaluation	1,441	—	21,346	—
Depreciation	65,939	89,571	205,625	264,884
	\$6,314,282	\$5,672,863	\$16,765,499	\$13,704,579

Bluestone Resources Inc.

Notes for the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Expressed in United States dollars - Unaudited)

7. 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 certain executive and non-executive members of the Company's Board of Directors and corporate officers. The remuneration of key management personnel included in the consolidated statements of loss was as follows:

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Salaries	\$322,935	\$456,841	\$1,141,711	\$1,568,065
Share-based compensation	153,333	174,631	1,165,778	816,692
	\$476,268	\$631,472	\$2,307,489	\$2,384,757

Accrued compensation due to key management as at September 30, 2021, was \$368,495 (December 31, 2020 - \$637,763).

b) Related party expenses

During the three and nine months ended September 30, 2021, the Company incurred \$85,840 and \$259,584, respectively, in office facilities and services expenses pursuant to an agreement with Namdo Management Services Ltd. ("Namdo"). An officer of the Company became the owner of Namdo on January 1, 2021.

8. Financial Instruments

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

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

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

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

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

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

Bluestone Resources Inc.

Notes for the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Expressed in United States dollars - Unaudited)

9. Financial Risk Management

a) Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents and restricted cash. Management believes that the credit risk with respect to these financial instruments is low as the balances primarily consist of amounts on deposit with a major financial institution. The maximum exposure to credit risk as at September 30, 2021, was \$33,578,569 (December 31, 2020 - \$51,363,021).

b) Liquidity risk

The Company's approach to managing liquidity risk is to try to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2021, the Company had a cash balance of \$31,812,009 (December 31, 2020 - \$49,334,074) to settle current liabilities of \$4,316,707 (December 31, 2020 - \$2,980,812). All of the Company's financial liabilities are subject to commercial trade terms. Within the next twelve months, the Company's objectives center on the advancement of Cerro Blanco. 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. Management estimates that the Company has sufficient working capital to maintain its planned operations and its activities for the next twelve months.

As a part of the terms of the Company's acquisition of Cerro Blanco in 2017, the Company is required to make a payment of \$15,000,000 within six months of the commencement of commercial production at Cerro Blanco and pay a 1% net smelter returns royalty on the sale of gold and silver produced from Cerro Blanco. In August 2020, the terms of the \$15,000,000 payment were amended so that the Company is required to make payments totaling approximately \$16,000,000 staggered over 12 to 27 months following the commencement of commercial production at Cerro Blanco. These payments are not recognized as liabilities in the consolidated statement of financial position as at September 30, 2021. These payments will be recognized as liabilities in the consolidated statement of financial position upon commencement of commercial production at Cerro Blanco.

c) Market risk

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

Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. Interest rate risk arises from the interest rate impact on cash and cash equivalents because these are the financial instruments held by the Company that are impacted by interest based on variable market interest rates. The Company manages interest rate risk by maintaining an investment policy for short-term investments and cash held in banks, which focuses on preservation of capital and liquidity. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banking institutions. The Company monitors its exposure to interest rates closely and has not entered into any derivative contracts to manage its risk. As at September 30, 2021, the weighted average interest rate earned on the Company's cash and cash equivalents was 0.62%. With other variables unchanged, a change in the annualized interest rate of a hundred basis points at September 30, 2021, would impact after-tax net loss by approximately \$302,000.

Bluestone Resources Inc.

Notes for the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Expressed in United States dollars - Unaudited)

9. Financial Risk Management (cont'd)

Foreign currency risk

The Company is exposed to foreign currency risk in connection with its Canadian dollar and Guatemala quetzal denominated financial instruments. A 10% fluctuation in the C\$/US\$ rate as at September 30, 2021, would result in an approximate \$1,354,000 decrease/increase in net loss and an approximate \$2,640,000 increase/decrease in other comprehensive loss. A 10% fluctuation in the US\$/Guatemala quetzal rate as at September 30, 2021, would result in an approximate \$167,000 decrease/increase in net loss.

Price risk

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

d) Capital Management

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

There were no changes to the Company's approach to capital management during the nine months ended September 30, 2021. The Company is not subject to externally imposed capital requirements.

10. Supplemental Cash Flow Information

Cash and cash equivalents included short-term investments of \$nil as at September 30, 2021 (December 31, 2020 - \$41,135,564).

Non-cash financing transactions during the nine months ended September 30, 2021 and 2020, were as follows:

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Transfer of reserves on exercise of options	(\$156,288)	(\$2,469,185)
Transfer of reserves on exercise of warrants	(951,242)	(430,121)
Fair value of common shares issued for credit facility	—	98,012