



CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021



Independent auditor's report

To the Shareholders of Bluestone Resources Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Bluestone Resources Inc. and its subsidiaries (together, the Company) as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2022 and 2021;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Assessment of impairment indicators of the exploration and evaluation asset</p> <p><i>Refer to note 2(h) – Exploration and evaluation assets, note 2(q) – Significant estimates and judgments and note 5 – Exploration and evaluation asset and expenses to the consolidated financial statements.</i></p> <p>The carrying value of the exploration and evaluation asset related to the Cerro Blanco project amounted to \$30.1 million as at December 31, 2022.</p> <p>At the end of each reporting period, management applies judgment in assessing whether there are any indicators of impairment relating to exploration and evaluation assets. If there are indicators of impairment, the recoverable amount of the related asset is estimated in order to determine the extent of any impairment. Indicators of impairment may include (i) the period during which the Company has the right to explore in the specific area has expired during the year or will expire in the near future and is not expected to be renewed; (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; (iii) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and (iv) sufficient data exists to indicate that the carrying amount of the exploration and evaluation</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none">Assessed the judgments made by management in determining whether there were impairment indicators related to the exploration and evaluation asset, which included the following:<ul style="list-style-type: none">Obtained, for all mining claims, by reference to government registries, evidence of (i) the right to explore the area and (ii) claims' expiration dates.Considered which claims will expire in the near future and where management does not have plans to renew by obtaining board of directors approved budgets.Assessed the planned substantive expenditures on further exploration for and evaluation of mineral resources in the specific area by reading board of directors' minutes and obtaining board of directors approved budgets.Assessed whether the exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources leading the Company to discontinue activities on the Cerro Blanco project, or whether sufficient data exists to indicate that the carrying value of the exploration and evaluation asset related to the Cerro Blanco project is unlikely to be recovered in full from



Key audit matter

asset is unlikely to be recovered in full from successful development or by sale.

No impairment indicators were identified by management as at December 31, 2022.

We considered this a key audit matter due to the significance of the exploration and evaluation asset balance and the judgments made by management in its assessment of indicators of impairment related to the exploration and evaluation asset, which resulted in a high degree of subjectivity in performing audit procedures related to these judgments applied by management.

How our audit addressed the key audit matter

successful development or by sale, based on evidence obtained through reading of the feasibility study.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going



concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lana Kirk.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 9, 2023

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

	Notes	December 31, 2022	December 31, 2021
Current assets			
Cash	3	\$1,743,139	\$18,285,126
Receivables		207,461	87,859
Equity securities		192,310	247,636
Prepaid expenses and other current assets		231,251	253,032
Inventory		71,026	89,208
		2,445,187	18,962,861
Non-current assets			
Restricted cash	3	1,745,365	1,769,168
Property, plant and equipment	4	23,639,371	22,221,840
Exploration and evaluation asset	5	30,126,433	30,126,433
Total assets		\$57,956,356	\$73,080,302
Current liabilities			
Trade and other payables	6	\$5,161,780	\$4,839,224
Loan payable	7	6,000,000	—
		11,161,780	4,839,224
Non-current liabilities			
Other liabilities	6	1,365,009	2,792,496
Rehabilitation provisions	8	9,319,388	8,630,047
Deferred income tax liabilities	9	1,565,886	1,536,443
Total liabilities		23,412,063	17,798,210
Shareholders' equity			
Share capital	10	179,878,018	178,674,062
Reserves		12,170,642	11,093,459
Accumulated other comprehensive income		10,934,467	11,260,395
Deficit		(168,438,834)	(145,745,824)
Total shareholders' equity		34,544,293	55,282,092
Total liabilities and shareholders' equity		\$57,956,356	\$73,080,302

Commitments and contingencies (note 14b)
Events after the reporting period (note 7)

Approved on March 9, 2023 on behalf of the Board of Directors:

"Zara Boldt"

Zara Boldt, Director

"Peter Hemstead"

Peter Hemstead, Director

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

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

	Notes	Year Ended December 31, 2022	Year Ended December 31, 2021
Operating expenses			
Exploration and evaluation expenses	5	\$15,744,261	\$22,504,852
General and administration			
Salaries and wages		2,135,325	2,941,269
Office and administration		1,365,910	1,327,942
Share-based compensation	10	1,290,973	1,553,322
Professional fees		678,986	402,597
Advertising and promotion		127,154	419,049
Corporate listing and filing fees		105,607	101,222
		(21,448,216)	(29,250,253)
Interest income		132,804	364,935
Finance expenses		(354,402)	(76,823)
Accretion expense	8	(451,096)	(440,420)
Loss on disposals and write-off of plant and equipment	4	(606,529)	—
Other income (loss)		5,220	(2,364)
Foreign exchange gain (loss)		102,545	(196,756)
Loss before income tax		(22,619,674)	(29,601,681)
Income tax (expense) recovery	9	(73,336)	386,172
Net loss		(22,693,010)	(29,215,509)
Other comprehensive (loss) income items that will not be reclassified to net loss:			
Loss on equity securities, net of tax recovery of \$4,824 and \$7,012		(36,267)	(44,928)
Translation adjustment		(289,661)	500,308
Comprehensive loss		(\$23,018,938)	(\$28,760,129)
Weighted average number of common shares outstanding – basic and diluted		151,050,549	148,881,202
Basic and diluted loss per common share		(\$0.15)	(\$0.20)

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

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

(Expressed in United States dollars)

	Notes	Share capital		Reserves	Accumulated other comprehensive income	Deficit	Total shareholders' equity
		Shares	Amount				
Balance, January 1, 2021		143,547,376	\$168,677,315	\$10,702,958	\$10,805,015	(\$116,530,315)	\$73,654,973
Share-based compensation	10	—	—	1,553,322	—	—	1,553,322
Exercise of options	10	726,667	1,069,280	(211,579)	—	—	857,701
Exercise of warrants	10	6,084,440	8,927,467	(951,242)	—	—	7,976,225
Comprehensive income (loss) for the year		—	—	—	455,380	(29,215,509)	(28,760,129)
Balance, December 31, 2021		150,358,483	\$178,674,062	\$11,093,459	\$11,260,395	(\$145,745,824)	\$55,282,092
Loan consideration		230,858	354,311	—	—	—	354,311
Share-based compensation	10	—	—	1,290,973	—	—	1,290,973
Exercise of options	10	646,800	849,645	(213,790)	—	—	635,855
Comprehensive loss for the year		—	—	—	(325,928)	(22,693,010)	(23,018,938)
Balance, December 31, 2022		151,236,141	\$179,878,018	\$12,170,642	\$10,934,467	(\$168,438,834)	\$34,544,293

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

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

	Notes	Year Ended December 31, 2022	Year Ended December 31, 2021
Cash used in operating activities			
Net loss for the year		(\$22,693,010)	(\$29,215,509)
Adjustments for:			
Accretion expense	8	451,096	440,420
Depreciation		322,600	319,978
Share-based compensation	10	1,290,973	1,553,322
Change in restoration provision estimate	8	246,198	(225,356)
Interest income		(132,804)	(364,935)
Loss on disposals and write-off of plant and equipment	4	606,529	—
Other loss		—	18,613
Change in non-current other liabilities	6	—	650,232
Income tax expense (recovery)	9	73,336	(386,172)
Non-cash foreign exchange (gain) loss		(230,650)	215,834
Changes in non-cash working capital:			
Receivables		(76,000)	18,171
Prepaid expenses		402,704	161,743
Inventory		18,182	(8,201)
Trade and other payables		(1,872,818)	(174,936)
Cash used in operating activities		(21,593,664)	(26,996,796)
Cash used in investing activities			
Purchase of property, plant and equipment		(2,279,999)	(13,718,890)
Proceeds from refund of property, plant and equipment	4	767,047	—
Interest received		80,596	637,070
Cash used in investing activities		(1,432,356)	(13,081,820)
Cash generated by financing activities			
Funds received from Loan	7	6,000,000	—
Loan fees		(40,685)	(4,500)
Proceeds from exercise of options		635,855	857,701
Proceeds from exercise of warrants		—	7,976,225
Lease principal repayments		—	(27,150)
Interest paid		—	(4,164)
Cash generated by financing activities		6,595,170	8,798,112
Effects of foreign exchange rate changes on cash and cash equivalents		(111,137)	231,556
Decrease in cash and cash equivalents		(16,541,987)	(31,048,948)
Cash and cash equivalents, beginning of the year		18,285,126	49,334,074
Cash and cash equivalents, end of the year		\$1,743,139	\$18,285,126

Supplemental cash flow information (note 15)

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

Bluestone Resources Inc.

Notes for the Consolidated Financial Statements For the years ended December 31, 2022 and 2021 (Expressed in United States dollars)

1. Nature of Operations

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

2. Significant Accounting Policies, Estimates and Judgments

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

The consolidated financial statements were authorized for issue by the Board of Directors on March 9, 2023.

For all periods presented, these 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 principal subsidiaries of the Company and their geographic locations at December 31, 2022, were as follows:

Subsidiary	Location	Ownership	Principal project
Elevar Resources, S.A. ("Elevar") (formerly Entre Mares de Guatemala, S.A.)	Guatemala	100%	Cerro Blanco
Geotermia Oriental de Guatemala, S.A. ("Geotermia")	Guatemala	100%	Mita Geothermal Project

b) Basis of measurement

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

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

c) Foreign currency translation

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

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

d) Cash and cash equivalents and restricted cash

Cash and cash equivalents include cash on hand, cash held at financial institutions and short-term investments with an original maturity of three months or less. Restricted cash is held at financial institutions as collateral for environmental bonding. Cash and cash equivalents and restricted cash are classified as amortized cost.

e) Inventory

Inventory consists of materials and supplies. Materials and supplies expected to be used in operations are valued at the lower of weighted average cost or net realizable value, reduced by an amount to take into account any impairment caused by obsolescence, deterioration, damage or other factors. If the circumstances that previously caused impairment are mitigated, the provision for impairment is reversed to the lesser of the new determination of net realizable value or original cost. Impairment provisions for inventory and any subsequent reversal are included as part of net loss in the consolidated statement of loss and comprehensive loss.

f) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the consolidated statement of loss during the period in which they are incurred.

Plant and equipment are depreciated using the straight-line method over estimated lives of 3 - 13 years. Land is not depreciated.

The Company allocates the amount initially recognized in respect of an item of equipment to its significant parts and depreciates separately each such part. Residual values, method of depreciation and useful lives are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of equipment are determined by comparing the proceeds with the carrying amount of the asset on the date of disposition and are included as part of other gains and losses in the consolidated statement of loss and comprehensive loss.

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

g) Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset, either explicitly or implicitly, including consideration of supplier substitution rights;
- The Company has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset.

The right-of-use ("ROU") asset is initially measured based on the initial amount of the lease liability plus any initial direct costs incurred less any lease incentives received. The ROU asset is depreciated to the earlier of the end of the useful life or the lease term using either the straight-line or units-of-production method, depending on which method more accurately reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise the option. The ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method and remeasured when there is a change in future lease payments. Future lease payments can arise from a change in an index or rate, if there is a change in the Company's estimate of the expected payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded to the statement of loss if the carrying amount of the ROU asset has been reduced to zero.

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

h) Exploration and evaluation assets

Before legal rights to explore a property have been acquired, costs are expensed as incurred. Costs related to the acquisition of exploration and evaluation assets are capitalized by property. Once a decision is made that a mining project is technically feasible and commercially viable, exploration and evaluation assets related to that project are reclassified to mineral property development costs within property, plant and equipment. An impairment test (note 2(o)) is performed at the time of the reclassification.

At the end of each reporting period, the Company reviews its exploration and evaluation assets to determine whether there is any indication that these assets are impaired. If any such indication exists, an estimate of the recoverable amount is undertaken. If it is determined that exploration and evaluation assets are not recoverable over the estimated economic life of the property, the property is abandoned or management deems there to be an impairment in value, the property is written down to its recoverable amount.

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

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to exploration and evaluation assets. If payments received exceed exploration and evaluation assets, the excess is recognized as income in the year received.

The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and evaluation and future profitable production or proceeds from the disposition thereof.

i) Contingent consideration payable

Contingent consideration payable is recognized when: (i) the conditions associated with the contingency are met (see note 14(b)); (ii) the Company has a present legal or constructive obligation that can be estimated reliably; and (iii) and it is probable that an outflow of economic benefits will be required to settle the obligation.

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

j) Rehabilitation provision

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as accretion in the consolidated statement of loss and comprehensive loss.

The site restoration provision at the date of the consolidated statement of financial position represents the Company's best estimate of the present value of the future site restoration costs required. Changes to estimated future costs relating to property, plant and equipment are recognized in the statement of financial position by adjusting the site restoration provision and associated asset. Changes to estimated future costs relating to exploration and evaluation activities are recognized in the consolidated statement of financial position by adjusting the rehabilitation provision and exploration and evaluation expenses in the consolidated statement of loss.

k) Income taxes

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

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

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

l) Share capital

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

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

Bluestone Resources Inc.

Notes for the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(Expressed in United States dollars)

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

m) Share-based compensation

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

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

n) Loss per common share

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

Existing stock options and warrants are not included in the computation of diluted loss per share as to do so would be anti-dilutive. Accordingly, basic and diluted loss per share would be the same in periods with net loss.

o) Impairment of non-financial assets

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

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

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

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

p) Financial instruments

Classification

Financial assets are classified at initial recognition as either: measured at amortized cost, FVTPL or FVTOCI. The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or the Company has opted to measure at FVTPL.

Measurement

Financial assets and liabilities at FVTPL are initially recognized at fair value and transaction costs are expensed in the consolidated statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets or liabilities held at FVTPL are included in the consolidated statement of loss and comprehensive loss in the period in which they arise. Where the Company has opted to designate a financial liability at FVTPL, any changes associated with the Company's credit risk will be recognized in OCI.

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

Impairment

The Company assesses, on a forward-looking basis, the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

q) Significant estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of judgments and/or estimates that affect the amounts reported and disclosed in the consolidated financial statements and related notes. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ materially from the amounts included in the financial statements. Information about such judgments and estimates is contained in the accounting policies and/or notes to the consolidated financial statements, and the key areas are summarized below.

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

- Identification of impairment indicators of the exploration and evaluation asset;
- Determination of useful lives of plant and equipment;
- Functional currency; and
- Rehabilitation provisions.

Bluestone Resources Inc.

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

The preparation of the consolidated financial statements requires the Company to make estimates and assumptions about the future. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The Company has outlined information about assumptions and other sources of estimation uncertainty, as at December 31, 2022, that have a risk of resulting in a material adjustment to the carrying amounts of rehabilitation provisions within the next year.

Identification of impairment indicators of the exploration and evaluation asset The carrying amount of the Company's exploration and evaluation asset does not necessarily represent present or future values, and judgment is required to determine if there are indicators of impairment. At the end of each reporting period, management applies judgment in assessing whether there are any indicators of impairment relating to exploration and evaluation assets. If there are indicators of impairment, the recoverable amount of the related asset is estimated in order to determine the extent of any impairment. Indicators of impairment may include: (i) the period during which the Company has the right to explore in the specific area has expired during the period or will expire in the near future and is not expected to be renewed; (ii) substantive expenditure on further exploration for an evaluation of mineral resources in the specific area is neither budgeted nor planned; (iii) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and (iv) sufficient data exists to indicate that the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale. No impairment indicators were identified by management as at December 31, 2022.

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

Functional currency In accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*, the Company determined that the functional currency of its principal subsidiaries (note 2(a)) is the United States dollar as this is the currency of the primary economic environment in which the companies operate. The functional currency of the parent company, Bluestone Resources Inc., is the Canadian dollar as this is the currency of the primary economic environment in which the parent company operates.

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

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

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

r) New standards and interpretations

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

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

The following has not yet been adopted by the Company:

- IAS 1, *Presentation of Financial Statements* ("IAS 1"): In October 2022, the IASB issued amendments to IAS 1 titled *Non-current Liabilities with Covenants*. These amendments sought to improve the information that an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within 12 months after the reporting period. These amendments to IAS 1 override but incorporate the previous amendments, *Classification of Debt as Current or Non-current*, issued in January 2020, which clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities should be classified as non-current if a company has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendments are effective January 1, 2024, with early adoption permitted. Retrospective application is required on adoption. The Company does not expect these amendments to have a material effect on its consolidated financial statements.
- IAS 1 and IFRS Practice Statement 2: In February 2021, the IASB issued amendments to IAS 1 and the IFRS Practice Statement 2 *Making Materiality Judgements* to provide guidance on the application of materiality judgments to accounting policy disclosures. The amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Guidance and illustrative examples are added in the Practice Statement to assist in the application of materiality concept when making judgments about accounting policy disclosures. The amendments are effective January 1, 2023, with early adoption permitted. Prospective application is required on adoption. The Company does not expect these amendments to have a material effect on its consolidated financial statements.

3. Cash and Restricted Cash

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

Restricted cash of \$1,745,365 as at December 31, 2022 (December 31, 2021 - \$1,769,168), relates to term deposits provided as cash collateral for environmental bonding with the Ministry of Environment in Guatemala.

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4. Property, Plant and Equipment

	December 31, 2022		
	Land	Plant and equipment ⁽¹⁾	Total
Cost			
Balance, January 1, 2022	\$17,332,131	\$6,207,863	\$23,539,994
Additions	2,630,155	483,552	3,113,707
Disposals and write-offs	—	(1,418,726)	(1,418,726)
Balance, December 31, 2022	19,962,286	5,272,689	25,234,975
Accumulated depreciation			
Balance, January 1, 2022	—	(1,318,154)	(1,318,154)
Charge for the year	—	(322,600)	(322,600)
Disposals	—	45,150	45,150
Balance, December 31, 2022	—	(1,595,604)	(1,595,604)
Net book value at December 31, 2022	\$19,962,286	\$3,677,085	\$23,639,371

⁽¹⁾ Includes assets under construction of \$986,962 at December 31, 2022. During the year ended December 31, 2022, assets under construction of \$767,047 were returned to the supplier. The Company received a refund for the same amount and no gain or loss was recognized in the consolidated statement of loss. An additional \$499,897 of this asset under construction was also written off during the year ended December 31, 2022, with the loss on write-off recognized in the consolidated statement of loss.

	December 31, 2021		
	Land	Plant and equipment ⁽²⁾	Total
Cost			
Balance, January 1, 2021	\$907,858	\$5,014,779	\$5,922,637
Additions	16,424,273	1,478,919	17,903,192
Write-downs	—	(283,904)	(283,904)
Translation differences	—	(1,931)	(1,931)
Balance, December 31, 2021	17,332,131	6,207,863	23,539,994
Accumulated depreciation			
Balance, January 1, 2021	—	(1,276,761)	(1,276,761)
Charge for the year	—	(319,978)	(319,978)
Write-downs	—	278,585	278,585
Balance, December 31, 2021	—	(1,318,154)	(1,318,154)
Net book value at December 31, 2021	\$17,332,131	\$4,889,709	\$22,221,840

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

Bluestone Resources Inc.

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5. Exploration and Evaluation Asset and Expenses

The exploration and evaluation asset of \$30,126,433 as at December 31, 2022 (December 31, 2021 - \$30,126,433), relates to Cerro Blanco.

Exploration and evaluation expenses for the years ended December 31, 2022 and 2021, were for the following:

	Year Ended December 31, 2022	Year Ended December 31, 2021
Cerro Blanco general and exploration expenditures	\$8,564,581	\$13,685,231
Cerro Blanco feasibility study, preliminary economic assessment and pre-development expenditures	4,955,002	7,028,732
Corporate social responsibility and community relations	1,643,006	1,629,323
Mita Geothermal Project evaluation	12,874	107,155
Depreciation	322,600	279,767
Change in rehabilitation provision estimates (note 8)	246,198	(225,356)
	\$15,744,261	\$22,504,852

6. Trade and Other Payables

	December 31, 2022	December 31, 2021
Trade payables	\$462,888	\$470,339
Accrued liabilities	398,003	1,278,577
Payroll liabilities	342,890	1,399,518
Rehabilitation provisions	7,953	21,444
Other liabilities ⁽¹⁾⁽²⁾	5,315,055	4,461,842
	6,526,789	7,631,720
Non-current portion of other liabilities ⁽¹⁾⁽²⁾	(1,365,009)	(2,792,496)
Current trade and other payables	\$5,161,780	\$4,839,224

⁽¹⁾ Other liabilities includes amounts relating to land purchase agreements payable from 2023 to 2025. As at December 31, 2022, current and non-current other liabilities relating to these agreements were \$3,733,547 and \$935,009, respectively (December 31, 2021 - \$1,669,346 and \$2,142,264).

⁽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 December 31, 2022, current and non-current other liabilities relating to these agreements were \$216,499 and \$430,000, respectively (December 31, 2021 - \$650,232 in non-current other liabilities). These were recognized as exploration and evaluation expenses in the consolidated statement of loss. The Company is required to make these payments in 2023 and 2024.

Bluestone Resources Inc.

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7. Loan

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

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

In consideration for the Loan, the Company issued 150,000 common shares of the Company with a fair value of \$234,670 to the Lender upon execution (the "Initial Shares"), and will issue an additional 4,000 common shares per month (pro-rated for partial months) for each \$1,000,000 of the principal amount outstanding under the Loan from time to time up to March 11, 2023 (the "Maturity Date"). Subsequent to the reporting period, the term of the Loan was extended to March 11, 2024.

As at December 31, 2022, the Company had a Loan payable of \$6,000,000. During the year ended December 31, 2022, the Company incurred transaction costs of \$274,935 in connection with the Loan. These transaction costs, which included the Initial Shares, were recognized as prepaid expenses and other current assets in the consolidated statement of financial position and amortized using the straight-line method to the Maturity Date.

8. Rehabilitation Provisions

The changes in the rehabilitation provision during the years ended December 31, 2022 and 2021, were as follows:

	December 31, 2022	December 31, 2021
Balance, beginning of year	\$8,651,491	\$8,436,427
Accretion (unwinding of discount)	451,096	440,420
Settled during the period	(21,444)	—
Change in estimates and rates	246,198	(225,356)
	9,327,341	8,651,491
Current portion of rehabilitation provisions	(7,953)	(21,444)
Non-current rehabilitation provisions	\$9,319,388	\$8,630,047

The Company has estimated the present value of future rehabilitation costs required to remediate the properties based on their current state. Although the ultimate amount of the rehabilitation liability is uncertain, the best estimate of these obligations is based on information currently available. Significant closure activities include land rehabilitation, equipment removal, demolition of buildings and other costs.

The total amount of estimated undiscounted cash flows required to settle the Company's estimated obligation as at December 31, 2022, is \$14,225,644 (December 31, 2021 - \$10,294,335). The change in the rehabilitation provision estimate during the year ended December 31, 2022, was due to updated costs for the rehabilitation of Cerro Blanco and updated timing of cash flows, inflation rate and discount rate. The change in the rehabilitation provision estimate during the year ended December 31, 2021, was due to updated inflation and discount rates. The calculation of present value of estimated future cash flows assumed a discount rate of 9.20% (December 31, 2021 - 5.10%) and an inflation rate of 5.45% (December 31, 2021 - 3.10%). The liabilities are expected to be settled at various dates which are currently expected to extend from 2023 to 2029. The changes were recorded in exploration and evaluation expenses in the consolidated statement of loss and comprehensive loss (note 5).

A 1% increase or decrease in the discount rate would cause the rehabilitation provision to decrease or increase by approximately \$397,000 and \$419,000, respectively.

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9. Income Tax

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

	Year Ended December 31, 2022	Year Ended December 31, 2021
Loss before income taxes	(\$22,619,674)	(\$29,601,681)
Canadian federal and provincial income tax rates	27.00 %	27.00 %
Income tax recovery based on the above rates	(6,107,312)	(7,992,454)
Increase due to:		
Non-deductible expenses	1,999,763	2,464,249
Losses and temporary differences for which no future income tax asset has been recognized	3,219,872	5,210,535
Foreign exchange translation and revaluation	720,809	(394,519)
Effect of different tax rates in foreign jurisdictions	240,204	326,017
Total income tax expense (recovery)	\$73,336	(\$386,172)
Current tax expense	39,069	17,551
Deferred tax expense (recovery)	34,267	(403,723)
Total income tax expense (recovery)	\$73,336	(\$386,172)

The significant components of the Company's recognized net deferred income tax liability at December 31, 2022 and 2021, were as follows:

	December 31, 2022	December 31, 2021
Guatemala property, plant and equipment	\$568,718	\$666,354
Guatemala exploration and evaluation asset and other	997,168	870,089
Deferred income tax liabilities	\$1,565,886	\$1,536,443

The movement in the deferred income tax liabilities is due to the denomination of the tax basis of property, plant and equipment and exploration and evaluation asset being in a foreign currency that is different from the functional currency of Elevar and Geotermia.

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9. Income Tax (cont'd)

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

	Expiry Dates	December 31, 2022	December 31, 2021
Canadian tax losses	2026 to 2042	\$38,986,623	\$37,146,019
Guatemala rehabilitation provisions	No expiry date	9,327,341	8,651,491
Share issues costs and other	2042 to 2046	2,489,577	3,779,628
Canadian exploration and evaluation asset	No expiry date	1,948,056	1,981,909
Barbados tax losses	2023 to 2029	376,494	231,290
Canadian investment tax credits	2025 to 2032	141,355	151,010

Unused tax losses in Guatemala are not included in the table above because there is no ability to carry these forward and utilize these against future income according to Guatemalan tax law.

In Guatemala, a company can elect in any given year to be taxed based on either net taxable income or gross revenue. The income tax rate is 25% while the gross revenue tax rate is 7%. The Company has prepared its deferred tax calculations on the basis that it will elect to be taxed based on income. It may elect to be taxed on revenue in one or more future years but that is not possible to predict at this time.

The tax attributes in Guatemala of the property, plant and equipment and the exploration and evaluation asset exceed the book value of the acquisition price by over \$149,000,000. Those amounts are not reflected in the above table as they are due to the initial recognition exemption rather than a temporary difference for accounting purposes under IFRS.

Bluestone Resources Inc.

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10. Share Capital

The Company's authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

a) Stock options

The Company has established a stock option plan (the "Plan") for directors, officers, employees and consultants of the Company and its subsidiaries (each a "Participant"). From time to time, shares may be reserved by the Board, in its discretion, for options under the Plan, provided that at the time of the grant, the total number of shares so reserved for issuance by the Board shall not exceed 10% of the issued and outstanding listed shares (on a non-diluted basis) as at the date of grant and for a term of exercise not exceeding five years. The Plan contains no vesting requirements, but permits the Board to specify a vesting schedule at its discretion. No options shall be granted, without regulatory approval, entitling any single Participant to purchase in excess of 5% of the then outstanding shares in the Company in any twelve month period and no more than 2% of the optioned shares may be issued to any one consultant or to all persons performing investor relations activities in the aggregate in any twelve month period. If the option rights granted under the Plan shall expire or terminate for any reason without having been exercised, such optioned shares may be made available for other options to be granted under the Plan. The shares so reserved by the Board under the Plan shall be authorized but unissued shares.

The changes in stock options outstanding during the years ended December 31, 2022 and 2021, were as follows:

	December 31, 2022		December 31, 2021	
	Number of options	Weighted avg. exercise price (C\$/option)	Number of options	Weighted avg. exercise price (C\$/option)
Outstanding, beginning of year	7,533,000	\$1.63	5,685,667	\$1.57
Granted	2,268,000	1.91	2,715,000	1.70
Exercised	(646,800)	(1.25)	(726,667)	(1.49)
Forfeited	—	—	(141,000)	(1.70)
Outstanding, end of year	9,154,200	\$1.72	7,533,000	\$1.63

The following table summarizes information about stock options outstanding and exercisable as at December 31, 2022:

Exercise prices (C\$)	Stock options outstanding		Stock options exercisable	
	Stock options outstanding	Weighted avg. remaining contractual life (years)	Stock options exercisable	Weighted avg. exercise price (C\$/option)
1.00 - 1.30	1,343,200	1.37	1,343,200	\$1.24
1.31 - 1.60	500,000	2.07	500,000	1.47
1.61 - 1.90	5,043,000	2.81	4,358,667	1.81
1.91 - 2.20	2,268,000	4.18	901,999	1.91
	9,154,200	\$2.90	7,103,866	\$1.69

Bluestone Resources Inc.

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10. Share Capital (cont'd)

The weighted average fair value of the stock options granted during the years ended December 31, 2022 and 2021, were estimated to be C\$0.73 and C\$0.66 per stock option, respectively, using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31, 2022	December 31, 2021
Risk-free rate	1.82 %	0.55 %
Volatility	55.37 %	54.15 %
Dividend yield	— %	— %
Expected life	3 years	3 years

During the year ended December 31, 2022, the Company recognized share-based compensation expense of \$1,290,973 (year ended December 31, 2021 - \$1,553,322) in the consolidated statement of loss and comprehensive loss relating to the stock options.

b) Warrants

The changes in warrants outstanding during the year ended December 31, 2021 were as follows:

	December 31, 2021	
	Number of warrants	Weighted avg. exercise price (C\$/warrant)
Outstanding, beginning of year	8,730,652	\$1.65
Exercised	(6,084,440)	(1.65)
Expired	(2,646,212)	(1.65)
Outstanding, end of 2021	—	\$1.65

11. Segmented Information

Operating segments are components of an entity that engage in business activities from which they incur expenses and whose operating results are regularly reviewed by a chief operating decision maker to make resource allocation decisions and to assess performance. The Chief Executive Officer is responsible for allocating resources and reviewing operating results of the operating segment on a periodic basis. The Company has one operating segment, being the operations in Guatemala. Operating segments have not been aggregated. All non-current assets are located in Guatemala.

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

	Year Ended December 31, 2022	Year Ended December 31, 2021
Salaries and benefits	\$1,247,920	\$1,552,383
Share-based compensation	1,043,645	1,319,124
	\$2,291,565	\$2,871,507

Accrued compensation due to key management as at December 31, 2022, was \$84,908 (December 31, 2021 - \$553,136). The balances payable were in connection with the payment of short-term incentives related to the years ended December 31, 2022 and 2021.

b) Related party expenses

During the year ended December 31, 2022, the Company incurred \$380,150 (December 31, 2021 - \$345,055) in office facilities and services expenses pursuant to an agreement with Namdo Management Services Ltd. ("Namdo"). A key management person of the Company is the owner of Namdo.

13. 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, trade and other payables and Loan payable 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 fair value approximate its carrying value due to the consistency of the credit risk of the Company since the initial recognition of the instruments. The Company's other liabilities are categorized as Level 2.

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14. 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 major financial institutions. The maximum exposure to credit risk as at December 31, 2022, was \$3,682,163 (December 31, 2021 - \$20,054,294).

b) Liquidity risk

The Company's approach to managing liquidity risk is to try to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2022, the Company had a cash balance of \$1,743,139 (December 31, 2021 - \$18,285,126) to settle current liabilities of \$11,161,780 (December 31, 2021 - \$4,839,224). 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. Historically, capital requirements have been primarily funded through the sale of equity instruments, the exercise of convertible securities and drawing from loans from related parties. While management expects these sources of funding to continue to be available to the Company, there can be no assurance that the Company will be successful in securing this funding. Based on the amount of funding raised, the Company's planned initiatives and other work programs may be postponed, or otherwise revised, as necessary. Taking into account the available Loan (note 7), management estimates that the Company has sufficient working capital to maintain its planned operations and its activities for at least twelve months from December 31, 2022.

In the normal course of business, the Company enters 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, 2022)		
	Less than one year	1 - 2 years	After 2 years
Trade and other payables	\$1,203,781	\$—	\$—
Loan payable	6,000,000	—	—
Property, plant and equipment	3,950,046	1,365,009	—
Total contractual obligations	11,153,827	1,365,009	—
Rehabilitation provisions	7,953	16,832	14,200,859
Total	\$11,161,780	\$1,381,841	\$14,200,859

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 December 31, 2022, and are not shown in the commitments table above. These payments will be recognized as liabilities in the consolidated statement of financial position upon commencement of commercial production at Cerro Blanco.

14. Financial Risk Management (cont'd)

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 December 31, 2022, the weighted average interest rate earned on our cash and cash equivalents was 3.95%. With other variables unchanged, a change in the annualized interest rate of a hundred basis points at December 31, 2022, would impact after-tax net loss by approximately \$14,000.

Foreign currency risk

The Company is exposed to foreign currency risk in connection with its Canadian dollar and Guatemala quetzal denominated financial instruments. A 10% fluctuation in the C\$/US\$ rate as at December 31, 2022 would result in an approximate \$510,000 decrease/increase in net loss and an approximate \$424,000 increase/decrease in other comprehensive loss. A 10% fluctuation in the US\$/Guatemala quetzal rate as at December 31, 2022 would result in an approximate \$346,000 increase/decrease 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 year ended December 31, 2022. The Company is not subject to externally imposed capital requirements.

Bluestone Resources Inc.**Notes for the Consolidated Financial Statements**
For the years ended December 31, 2022 and 2021
(Expressed in United States dollars)**15. Supplemental Cash Flow Information**

Non-cash financing transactions during the years ended December 31, 2022 and 2021, were as follows:

	Year Ended December 31, 2022	Year Ended December 31, 2021
Shares issued in relation to the Loan	\$354,311	\$—
Transfer of reserves on exercise of options	(213,790)	(211,579)
Transfer of reserves on exercise of warrants	—	(951,242)