



## BLUESTONE RESOURCES INC.

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Bluestone Resources Inc. ("Bluestone" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three and nine months ended September 30, 2022. The MD&A was prepared as of November 14, 2022, and should be read with the unaudited condensed interim consolidated financial statements and related notes for the three and nine months ended September 30, 2022, which can be found along with other information of the Company on SEDAR at [www.sedar.com](http://www.sedar.com). All figures are in United States ("U.S.") dollars unless otherwise stated. References to C\$ are to Canadian dollars. The financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* of International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

#### Forward-Looking Statements

This MD&A contains "forward-looking information" within the meaning of Canadian securities legislation and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, "forward-looking statements"). All statements, other than statements of historical fact, that address activities, events, or developments that the Company believes, expects, or anticipates will or may occur in the future including, without limitation: the anticipated approval of an environmental permit amendment by the end of the year and expected project timelines; expectations relating to social acceptance of the Cerro Blanco Project ("Cerro Blanco" or the "Project") and the nature of community opposition; the Company's intention to hire and train local employees and the initiation of training programs; the Project's expected economic benefits to Guatemala; the expected timing of the completion of offsite infrastructure and potential benefits; and the estimated value of the Project. These forward-looking statements reflect the current expectations or beliefs of the Company based on information currently available to Bluestone and often use words such as "expects", "plans", "anticipates", "estimates", "intends", "may", or variations thereof or the negative of any of these terms.

All forward-looking statements are made based on Bluestone's current beliefs as well as various assumptions made by Bluestone and information currently available to Bluestone. Generally, these assumptions include, among others: the presence of and continuity of metals at the Cerro Blanco Project at estimated grades; the availability of personnel, machinery, and equipment at estimated prices and within estimated delivery times; currency exchange rates; metals sales prices and exchange rates assumed; appropriate discount rates applied to the cash flows in economic analyses; tax rates and royalty rates applicable to the proposed mining operations; the availability of acceptable financing; the impact of the novel coronavirus (COVID-19); anticipated mining losses and dilution; success in realizing proposed operations; and anticipated timelines for community consultations and the impact of those consultations on the regulatory approval process.

## **Forward-Looking Statements (cont'd)**

Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual results of Bluestone to differ materially from those discussed in the forward-looking statements and, even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, Bluestone. Factors that could cause actual results or events to differ materially from current expectations include, among other things: risks related to increasing community opposition to the Project and its effect on permitting and Project timelines; potential changes to the mining method and the current development strategy; risks and uncertainties related to expected production rates; timing and amount of production and total costs of production; risks and uncertainties related to the ability to obtain, amend, or maintain necessary licenses, permits, or surface rights; risks associated with technical difficulties in connection with mining development activities; risks and uncertainties related to the accuracy of mineral resource estimates and estimates of future production, future cash flow, total costs of production, and diminishing quantities or grades of mineral resources; changes in Project parameters as plans continue to be refined; title matters; risks associated with geopolitical uncertainty and political and economic instability in Guatemala; risks related to global epidemics or pandemics and other health crises, including the impact of the novel coronavirus (COVID-19); risks and uncertainties related to interruptions in production; risks related to Project working conditions, accidents or labour disputes; the possibility that future exploration, development, or mining results will not be consistent with Bluestone's expectations; uncertain political and economic environments and relationships with local communities and governmental authorities; risks relating to variations in the mineral content and grade within the mineral identified as mineral resources from that predicted; variations in rates of recovery and extraction; developments in world metals markets; and risks related to fluctuations in commodity prices and currency exchange rates. For a further discussion of risks relevant to Bluestone, see "Risk Factors" in the Company's annual information form for the year ended December 31, 2021, available on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

Any forward-looking statement speaks only as of the date on which it was made, and except as may be required by applicable securities laws, Bluestone disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results, or otherwise. Although Bluestone believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance, and accordingly, undue reliance should not be put on such statements due to their inherent uncertainty. There can be no assurance that forward-looking statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements.

## **Qualified Person**

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

## **Overview**

Bluestone is a Canadian-based precious metals exploration and development company focused on opportunities in Guatemala. The Company's flagship asset is Cerro Blanco, a near surface mine development project located in Southern Guatemala in the department of Jutiapa. The Company's head and registered office is located at 2000 - 885 West Georgia Street, Vancouver, BC, V6C 3E8. The Company trades under the symbol "BSR" on the TSX Venture Exchange ("TSXV") and "BBSRF" on the OTCQB.

## **Highlights for the Three Months Ended September 30, 2022**

- In July 2022, Guatemala's Ministry of Energy and Mines ("MEM") conducted a site visit of Cerro Blanco as part of the permit review process. The outcome of the visit was positive, and in the week following the visit, the MEM provided their official report to the Ministry of Environment, who have placed the Cerro Blanco permit amendment application into the final stages of review.
- On September 19, 2022, the Company provided news of a referendum held on September 18, 2022, in the Municipality of Asuncion Mita that was organized by certain anti-mining groups. Immediately following the referendum, the Constitutional Court of Guatemala issued a ruling that nullified the vote and its results.

## **Project Updates**

### ***Cerro Blanco Gold Project***

The Company has one principal mining property interest, namely Cerro Blanco. Elevar Resources, S.A. ("Elevar"), formerly Entre Mares de Guatemala S.A., a wholly-owned subsidiary of the Company, is the 100% owner of Cerro Blanco. An exploitation license for Cerro Blanco was granted in 2007. The Company is in the process of amending Cerro Blanco's environmental permit to capture the change from underground to surface mining method.

#### Permit amendment application

The Company submitted the permit amendment application for the change in mining method in November 2021. The amendment application is a comprehensive document that covers all aspects of Cerro Blanco in detail, building on the historical data and the previously approved 2007 Environmental Impact Assessment, to incorporate the open pit mining method.

#### Project timelines

The Company has progressed project finance discussions with streamers, commercial banks, and private equity groups. Based on the initial indications that have been received, the availability of funding is contingent on the approval of the environmental permit amendment. As a result, the Company will wait to receive the permit amendment before committing capital to long-lead items, detailed engineering and further training programs for the construction phase.

#### Community relations

Progress to date from site development activities and the advancement of the environmental permit amendment has resulted in a continued increase in anti-mining activity, which is not uncommon in Guatemala. On September 19, 2022, the Company provided news of a referendum that was held on September 18, 2022, in the Municipality of Asuncion Mita, Jutiapa. Certain anti-mining groups formed a biased commission (the "Commission") to organize a referendum that unfairly portrayed public opinion on future mining activities within the municipal limits. The referendum was against the recommendations of the Central Government as no entity other than the relevant federal governmental agencies have the legal jurisdiction over mining licenses in Guatemala. A legal injunction was filed against the referendum and a judge in the Department of Jutiapa, where Cerro Blanco is located, ruled that the referendum be suspended.

Regardless of this ruling, the Commission continued to proceed against the orders of the court. As such, the referendum was conducted illegally by the self-established Commission. The Commission was also responsible for counting the votes. International accepted standards for a vote of this nature were not followed or considered. Furthermore, the governing electoral body of Guatemala (Supreme Electoral Tribunal) refused to participate in the referendum and would not provide a registered list of voters to the Commission.

## **Project Updates (cont'd)**

In addition to the Jutiapa injunction, the Constitutional Court of Guatemala immediately issued a ruling that nullified the referendum and its results based on clear evidence that the referendum was unconstitutional, confirming that no entity other than the relevant federal governmental agencies have legal jurisdiction over mining licenses in Guatemala. Furthermore, the Government of Guatemala reiterated its support for the Cerro Blanco Project, and the MEM issued a supportive public statement on future mining activities, denouncing the referendum.

### El Tule Bridge

Environmental, forestry, and construction permits for the new bridge (the "El Tule Bridge") were received from the Guatemalan authorities. Construction of the El Tule Bridge had commenced, with earthworks and pile installation nearing completion. Unfortunately, a severe weather incident occurred in June and washed out the existing bridge along with five other bridges in Guatemala. In addition to six bridges being totally destroyed, there was much destruction to infrastructure around the country, including nine other bridges being severely damaged.

Following this weather incident, the construction of the El Tule Bridge was put on hold to study the structural damage of the bridge location. However, given damage to other, more strategic infrastructure within the country, the Guatemalan authorities from the Ministry of Infrastructure approached the Company's contractor to purchase the Company's building materials to utilize at another site. In conjunction with this request, the government proposed to undertake the rebuild of the El Tule Bridge in the current location. The Company believes this to be the most optimal outcome as it was able to recoup most of the initial investment and will not be required to pay for the construction of the new El Tule Bridge.

### ***Mita Geothermal***

The Company owns a 100% interest in Mita Geothermal through its wholly-owned subsidiary, Geotermia Oriental de Guatemala, S.A. ("Geotermia"). Mita Geothermal is a geothermal energy resource located adjacent to Cerro Blanco and is 7 kilometers from the Pan American Highway near the town of Asuncion Mita, in the region of Jutiapa in Guatemala. In November of 2015, the Government of Guatemala granted Geotermia a 50-year license to build and operate up to a 50-megawatt geothermal plant.

In line with Bluestone's commitment to responsible development and reducing our carbon footprint with the development of the mine, the Company undertook additional work on the Mita Geothermal project in 2021. The Company completed a scoping study that incorporated a review of the historical data and testwork completed on the project. An updated reservoir calculation was completed that estimated a reserve capacity of over 20 MW. The scoping study focused on several different sizing scenarios ranging from 5 MW to 20 MW, and the results highlighted an economic project with an after-tax internal rate of return of over 15%. Additional work included geological and geophysical surveys to further refine injection well locations alongside the proven production wells.

It is currently forecasted that Guatemala's energy matrix will transition to a more renewable mix as Guatemala has stated it is promoting more renewable energy usage and expanding the regional market. It is expected that greater private sector engagement will carry out projects of generation and transmission through the development of public-private partnerships. The Company continues to evaluate advancement options for Mita Geothermal as these developments occur.

## Results of Operations for the Three Months Ended September 30, 2022 Compared to the Three Months Ended September 30, 2021

The Company's net loss for the three months ended September 30, 2022, totaled \$5,204,946 or \$0.03 per share as compared to a net loss of \$7,129,181 or \$0.05 per share for the three months ended September 30, 2021. Significant expenditures and variances are as follows:

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	(Increase) Decrease in Net Loss
Exploration and evaluation expenses <sup>(1)</sup>	<b>\$2,369,306</b>	\$6,314,282	\$3,944,976
General and administration			
Advertising and promotion	<b>6,792</b>	59,030	52,238
Corporate listing and filing fees	<b>14,296</b>	22,934	8,638
Office and general	<b>299,008</b>	340,137	41,129
Professional fees	<b>231,055</b>	58,831	(172,224)
Salaries and wages	<b>730,818</b>	715,350	(15,468)
Share-based compensation	<b>204,010</b>	187,790	(16,220)
	<b>(3,855,285)</b>	(7,698,354)	3,843,069
Interest income	<b>30,922</b>	76,970	(46,048)
Finance expenses	<b>(110,061)</b>	(5,236)	(104,825)
Accretion expense	<b>(113,347)</b>	(106,551)	(6,796)
Foreign exchange (loss) gain	<b>(141,271)</b>	528,902	(670,173)
<b>Loss before income tax</b>	<b>(4,189,042)</b>	(7,204,269)	3,015,227
Income tax (expense) recovery <sup>(2)</sup>	<b>(1,015,904)</b>	75,088	(1,090,992)
<b>Net loss</b>	<b>(\$5,204,946)</b>	(\$7,129,181)	\$1,924,235

<sup>(1)</sup> Exploration and evaluation expenses for the three months ended September 30, 2022 and 2021, were for the following:

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021
Cerro Blanco general and exploration expenditures	<b>\$1,073,308</b>	\$3,726,855
Cerro Blanco feasibility study, preliminary economic assessment and pre-development expenditures	<b>853,853</b>	1,912,265
Corporate social responsibility and community relations	<b>357,996</b>	607,782
Mita Geothermal evaluation	<b>3,393</b>	1,441
Depreciation	<b>80,756</b>	65,939
	<b>\$2,369,306</b>	\$6,314,282

<sup>(2)</sup> Income tax recovery (expense) is due to the decrease (increase) of a deferred income tax liability due to the effects of foreign exchange on the tax basis of property, plant and equipment and the exploration and evaluation asset in Guatemala. The tax basis of the assets in Guatemala still exceeds the accounting basis, but the excess which existed at the date of acquisition is treated as a permanent difference for tax accounting purposes.

## Results of Operations for the Nine Months Ended September 30, 2022 Compared to the Nine Months Ended September 30, 2021

The Company's net loss for the nine months ended September 30, 2022, totaled \$20,212,061 or \$0.13 per share as compared to a net loss of \$21,946,101 or \$0.15 per share for the nine months ended September 30, 2021. Significant expenditures and variances are as follows:

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	(Increase) Decrease in Net Loss
Exploration and evaluation expenses <sup>(1)</sup>	<b>\$13,341,478</b>	\$16,765,499	\$3,424,021
General and administration			
Advertising and promotion	<b>123,416</b>	341,482	218,066
Corporate listing and filing fees	<b>92,440</b>	93,957	1,517
Office and general	<b>1,066,456</b>	921,239	(145,217)
Professional fees	<b>620,065</b>	223,081	(396,984)
Salaries and wages	<b>2,150,218</b>	2,236,059	85,841
Share-based compensation	<b>1,062,488</b>	1,365,517	303,029
	<b>(18,456,561)</b>	(21,946,834)	3,490,273
Interest income	<b>119,400</b>	304,532	(185,132)
Finance expenses	<b>(204,890)</b>	(70,150)	(134,740)
Accretion expense	<b>(336,298)</b>	(315,777)	(20,521)
Other expenses	<b>(102,842)</b>	(13,462)	(89,380)
Foreign exchange loss	<b>(295,309)</b>	(225,143)	(70,166)
<b>Loss before income tax</b>	<b>(19,276,500)</b>	(22,266,834)	2,990,334
Income tax (expense) recovery <sup>(2)</sup>	<b>(935,561)</b>	320,733	(1,256,294)
<b>Net loss</b>	<b>(\$20,212,061)</b>	(\$21,946,101)	\$1,734,040

<sup>(1)</sup> Exploration and evaluation expenses for the nine months ended September 30, 2022 and 2021, were for the following:

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Cerro Blanco general and exploration expenditures	<b>\$7,425,190</b>	\$10,288,037
Cerro Blanco feasibility study, preliminary economic assessment and pre-development expenditures	<b>4,275,135</b>	4,899,156
Corporate social responsibility and community relations	<b>1,382,525</b>	1,351,335
Mita Geothermal evaluation	<b>10,578</b>	21,346
Depreciation	<b>248,050</b>	205,625
	<b>\$13,341,478</b>	\$16,765,499

<sup>(2)</sup> Income tax recovery (expense) is due to the decrease (increase) of a deferred income tax liability due to the effects of foreign exchange on the tax basis of property, plant and equipment and the exploration and evaluation asset in Guatemala. The tax basis of the assets in Guatemala still exceeds the accounting basis, but the excess which existed at the date of acquisition is treated as a permanent difference for tax accounting purposes.

## Summary of Quarterly Results

The following table summarizes selected financial data reported by the Company for the three months ended September 30, 2022, and the previous seven quarters:

	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Current assets	<b>\$2,297,623</b>	\$3,805,526	\$12,163,984	\$18,962,861	\$32,547,978	\$42,179,739	\$49,508,306	\$50,498,497
Property, plant and equipment	<b>24,158,370</b>	24,959,094	24,013,184	22,221,840	14,201,894	9,046,892	7,355,948	4,645,876
Exploration and evaluation assets	<b>30,126,433</b>	30,126,433	30,126,433	30,126,433	30,126,433	30,126,433	30,126,433	30,126,433
Total assets	<b>58,326,913</b>	60,659,906	68,080,431	73,080,302	78,642,612	83,116,580	88,757,967	87,019,390
Current liabilities	<b>8,576,932</b>	5,826,246	5,930,381	4,839,224	4,316,707	2,732,570	2,407,236	2,980,812
Working capital (deficit)	<b>(6,279,309)</b>	(2,020,720)	6,233,603	14,123,637	28,231,271	39,447,169	47,101,070	47,517,685
Net loss	<b>(5,204,946)</b>	(8,317,451)	(6,689,664)	(7,269,408)	(7,129,181)	(7,537,260)	(7,279,660)	(9,560,183)
Basic and diluted loss per share	<b>(0.03)</b>	(0.06)	(0.04)	(0.05)	(0.05)	(0.05)	(0.05)	(0.07)
Weighted avg. shares outstanding	<b>151,164,655</b>	151,149,788	150,682,416	150,188,918	150,158,483	150,144,563	144,961,360	143,538,463

Increases in property, plant and equipment during 2021 and 2022 were mainly due to purchases of land required for the Cerro Blanco open pit development scenario. Increases in current liabilities during 2021 and 2022 were mainly due to the loan payable (see "Liquidity and Capital Resources") and liabilities relating to the purchases of land. Quarterly results mainly fluctuate due to the level of exploration and evaluation activities, such as drilling programs and engineering activities, and fluctuations in the C\$/US\$ rate. There are no seasonal fluctuations in the results for the presented periods.

## Liquidity and Capital Resources

Cash decreased by \$16,598,535 during the nine months ended September 30, 2022, from \$18,285,126 as at December 31, 2021, to \$1,686,591 as at September 30, 2022. Cash utilized in operating activities during the nine months ended September 30, 2022, was \$18,702,476 (nine months ended September 30, 2021 - \$19,453,500). Cash used in investing activities during the nine months ended September 30, 2022, was \$1,370,349 (nine months ended September 30, 2021 - \$6,769,219), mainly for the acquisition of property, plant and equipment. During the nine months ended September 30, 2022, the Company generated cash from financing activities, mainly from drawing on a loan facility, of \$3,595,170 compared to \$8,564,524 during the nine months ended September 30, 2021, which was mainly from exercising of warrants.

As at September 30, 2022, share capital was \$179,799,535 and was comprised of 151,182,663 issued and outstanding common shares (December 31, 2021 - \$178,674,062 comprised of 150,358,483 shares outstanding). The increase in outstanding common shares during the nine months ended September 30, 2022, was mainly the result of the exercising of stock options. Reserves, which increased due to the vesting of stock options, were \$11,942,157 (December 31, 2021 - \$11,093,459). As a result of the net loss for the nine months ended September 30, 2022, the deficit at September 30, 2022, increased to \$165,957,885 from \$145,745,824 at December 31, 2021. Accordingly, shareholders' equity on September 30, 2022, was \$37,090,112 compared to \$55,282,092 at December 31, 2021.

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

### **Liquidity and Capital Resources (cont'd)**

As at September 30, 2022, the Company had a working capital deficit of \$6,279,309. While management expects that the Company will be able to meet its existing obligations and commitments and fund ongoing operations for at least the next twelve months from September 30, 2022, the Company anticipates the need for further funding to support the advancement of Cerro Blanco and to meet general corporate and working capital requirements. The Company is currently evaluating potential sources of funding, in addition to drawing on the loan facility of \$30,000,000 from related parties (the "Loan") and obtaining an extension on the maturity of the Loan. 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. Many factors influence the Company's ability to raise funds, including the approval of the Cerro Blanco environmental permit amendment (see "Project Updates"), the health of the resource market, the climate for mineral exploration and resource development investments, the Company's track record, the economics of the Feasibility Study and the experience and caliber of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress and results of drilling activities. Management believes it will be able to raise equity capital and/or debt as required but recognizes there will be risks involved that may be beyond its control. Based on the amount of funding raised, the Company's planned initiatives and other work programs may be postponed, or otherwise revised, as necessary.

#### Loan

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

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

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

As at September 30, 2022, the Company had a Loan payable of \$3,000,000. During the nine months ended September 30, 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.



## **Risks and Uncertainties**

The Company is subject to a number of risks and uncertainties including, but not limited to the following:

- Operations in Guatemala
- The successful development of Cerro Blanco and Mita Geothermal cannot be guaranteed
- Community action
- Global epidemics or pandemics or other health crises
- Licenses and title to assets
- Maintaining and obtaining licenses and permits
- Environmental hazards
- Governmental laws and regulations
- Uncertainty of development projects
- Estimates of Mineral Reserves and Resources
- The business of exploration for minerals and mining involves a high degree of risk
- Anti-corruption laws
- Tax risks
- Reliance on third parties and risk associated with foreign subsidiaries
- Property commitments
- Limited operational history
- Substantial capital requirements
- Acquisition risk
- Future sales or issuances of common shares
- Competition
- Dependence on key personnel
- Changes in climate conditions
- Control person of the Company
- Public company requirements
- Marketability of natural resources
- Conflicts of interest
- Uninsurable risks
- Infrastructure
- Price volatility of publicly traded securities
- Risk of fines and penalties
- Information technology security risks
- Litigation risk
- Share price risk
- Geopolitical risk and conflict including the Ukraine-Russia conflict
- Inflation

## Risks and Uncertainties (cont'd)

An analysis of these risks and uncertainties, as they have the potential to impact the Company, can be found in the Company's Annual Information Form and MD&A for the year ended December 31, 2021. The risks and uncertainties have not changed from those disclosed in the Company's Annual Information Form and MD&A for the twelve months ended December 31, 2021, except for the following:

### **Community Action**

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

## Outstanding Share Data

Bluestone's authorized capital consists of an unlimited number of common shares and an unlimited number of preferred shares without par value. No preferred shares have been issued to date. The following common shares and stock options are outstanding as at November 14, 2022:

	Number of Shares	Exercise Price C\$	Remaining life (years)
Issued and Outstanding Common Shares	151,196,985		
Stock options	9,154,200	1.15 - 1.91	0.42 - 4.34
<b>Fully diluted at November 14, 2022</b>	<b>160,351,185</b>		

## Off Balance Sheet Arrangements

The Company does not utilize off balance sheet arrangements.

## Transactions with Related Parties

### *Key management compensation*

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consist of the following executive and non-executive positions of the Company for the three and nine months ended September 30, 2022 and 2021: Members of the Board of Directors; President; Chief Executive Officer; Chief Financial Officer; Vice President and Managing Director, Guatemala; and Vice President, Exploration. The remuneration of key management personnel included in the consolidated statements of loss and comprehensive loss is as follows:

	<b>Three Months Ended September 30, 2022</b>	Three Months Ended September 30, 2021	<b>Nine Months Ended September 30, 2022</b>	Nine Months Ended September 30, 2021
Salaries	<b>\$451,173</b>	\$322,935	<b>\$1,324,601</b>	\$1,141,711
Share-based compensation	<b>164,400</b>	153,333	<b>856,018</b>	1,165,778
	<b>\$615,573</b>	\$476,268	<b>\$2,180,619</b>	\$2,307,489

Accrued compensation due to key management as at September 30, 2022, was \$411,286 (December 31, 2021 - \$553,136).

### *Loan*

The Lender and its affiliates are significant shareholders of the Company, making them a related party. Details of the Loan can be found in the MD&A section "*Liquidity and Capital Resources*" and note 5 of the Company's condensed interim consolidated financial statements for the three and nine months ended September 30, 2022.

## Financial Instruments and Financial Risk Management

A description of the Company's financial instruments and financial risk management can be found in notes 9 and 10, respectively, of the Company's condensed interim consolidated financial statements for the three and nine months ended September 30, 2022.

## Significant Accounting Policies, Estimates and Judgments

A description of the Company's significant accounting policies, estimates and judgments, can be found in note 2, of the Company's audited consolidated financial statements for the year ended December 31, 2021.

## New Standards and Interpretations Adopted

A description of the International Accounting Standards Board's new standards and interpretations adopted by the Company can be found in note 2(c) of the Company's unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2022.

## **Disclosure of Internal Controls**

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence that: (i) the condensed interim consolidated financial statements for the three and nine months ended September 30, 2022, do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, and (ii) the condensed interim consolidated financial statements for the three and nine months ended September 30, 2022, fairly present in all material respects the financial condition, results of operations and cash flow of the Company.

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

1. Controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
2. A process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles.

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

## **Approval**

The Board of Directors of Bluestone has approved the disclosure contained in this MD&A on November 14, 2022. A copy of this MD&A will be provided to anyone who requests it.

## **Additional Information**

Additional Information relating to Bluestone is on SEDAR at [www.sedar.com](http://www.sedar.com) or can be obtained by contacting:

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