

BLUESTONE RESOURCES INC.

ANNUAL MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018

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 twelve months ended December 31, 2018. The MD&A was prepared as of March 8, 2019 and should be read with the consolidated financial statements and related notes for the twelve months ended December 31, 2018, which can be found along with other information of the Company on SEDAR at www.sedar.com. All figures are in United States ("U.S.") dollars unless otherwise stated. References to C\$ are to Canadian dollars. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

Effective in 2017, the Company changed its financial year end from November 30 to December 31. Accordingly, the comparative periods for the three and twelve months ended December 31, 2018 are the four and thirteen months ended December 31, 2017, respectively.

Forward-Looking Statements

This MD&A contains "forward-looking information" within the meaning of Canadian securities legislation and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, "forward-looking statements"). All statements, other than statements of historical fact, which address activities, events or developments that Management believes, expects or anticipates will or may occur in the future are forward-looking statements and often use words such as "expects", "plans", "anticipates", "estimates", "intends", "may" or variations thereof or the negative of any of these terms. Forward-looking statements contained in this MD&A include, but are not limited to statements with respect to the conversion of Inferred Mineral Resources; increasing the amount of Measured and Indicated Mineral Resources; the proposed timeline and benefits of further drilling; the timing of commercial production at the Company's Cerro Blanco Gold project ("Cerro Blanco") and the generation of material revenue by the Company; the proposed timeline, objectives and benefits of the feasibility study on Cerro Blanco titled "Feasibility Study, NI 43-101 Technical Report, Cerro Blanco Project, Guatemala" dated February 14, 2019 with an effective date as of January 29, 2019 and filed on the Company's profile at www.sedar.com on February 13, 2019 (the "Feasibility Study"); statements about the Company's plans for its mineral properties; Bluestone's business strategy, plans and outlook; the future financial or operating performance of Bluestone; capital expenditures, corporate general and administration expenses and exploration and evaluation expenses; expected working capital requirements; proposed production timelines and rates; funding availability; and future exploration and operating plans.

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

Forward-Looking Statements (cont'd)

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

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

Qualified Persons

The scientific and technical disclosure in this MD&A has been reviewed and approved by David Gunning, P.Eng., a mining engineer and the Company's Vice President Operations, or David Cass, P.Geo., Vice President Exploration, both Qualified Persons as defined by National Instrument 43-101 - Standards of Disclosure for Mineral Projects.

Overview

Bluestone is a development stage natural resource company focused on the exploration and development of its 100% owned Cerro Blanco Gold project and Mita Geothermal project ("Mita Geothermal"), both located in Guatemala. Cerro Blanco is a proposed underground gold mining operation located in southeast Guatemala approximately 160 kilometers by road from the capital, Guatemala City. Mita Geothermal is a geothermal energy resource located adjacent to Cerro Blanco. The Company's head and registered office is located at 1020 - 800 West Pender Street, Vancouver, BC, V6C 2V6. The Company's common shares are listed on the TSX Venture Exchange ("TSXV"), trading under the symbol 'BSR', and on the OTCQB, trading under the symbol 'BBSRF'.

The Company consolidated its share capital on the basis of five old common shares for one new common share effective May 24, 2017. Outstanding stock options and warrants were adjusted by the consolidation ratio. All common shares and per share amounts in this MD&A have been retroactively restated to reflect the share consolidation.

Highlights for the Three and Twelve Months Ended December 31, 2018

- Subsequent to the year end, on January 29, 2019, the Company announced the results of the Feasibility Study, which highlighted an after-tax internal rate of return of 34% and an average life of mine ("LOM") all-in sustaining costs ("AISC") of \$579/oz. The Feasibility Study provides a compilation of the geological, engineering and hydrology work performed by the previous owners between 1997 and 2017, as well as work undertaken by Bluestone. The results of the Feasibility Study incorporate current infrastructure, including 3.2 kilometers of underground development, a fully functional water treatment plant, maintenance shops, warehouse and office facilities, and a total of 577 drill holes and over 128,000 meters of drilling.
- On November 13, 2018, the Company announced commencement of a follow-up drill program on Cerro Blanco, which will focus on converting the Inferred Mineral Resources identified during the Feasibility Study in-fill drill program completed earlier in 2018.
- On September 18, 2018, the Company released metallurgical optimization test results for Cerro Blanco, which increased gold recoveries by 5% to 96% overall.
- On September 11, 2018, the Company updated its resource estimate for Cerro Blanco, demonstrating a Measured and Indicated Mineral Resources of 3,716,553 tonnes at 10.1 g/t Au for 1,201,468 ounces and an Inferred Mineral Resource of 1,373,342 tonnes at 8.1 g/t Au for 357,319 ounces. This resulted in an increase of 308,000 ounces to the Inferred Mineral Resource.
- On July 5, 2018, the Company released additional in-fill drill results from its resource definition drill program at Cerro Blanco. Underground drilling results included 21.4 meters at 9.6 g/t Au.

Project Development Updates

Cerro Blanco

The Company has one principal mining property interest, namely Cerro Blanco, a proposed underground gold mining operation located in southern Guatemala. Entre Mares de Guatemala S.A. ("Entre Mares"), the Company's wholly-owned subsidiary, is the 100% owner of Cerro Blanco.

During the three months ended December 31, 2018, the Company commenced a follow-up drill program on Cerro Blanco. The primary focus of the program is to upgrade the Inferred Mineral Resources identified during the drill program completed earlier in the year and to define new Mineral Resources along veins in the mine plan that extend outside of the current resource envelope. The resource estimate announced on September 11, 2018 defined 357,319 ounces in the Inferred Mineral Resource category. The conversion of a large portion of these ounces into the Indicated Mineral Resource category represents an opportunity to add value to the economics of the project. The majority of the current Inferred Mineral Resource ounces are located on veins which already demonstrate Measured and Indicated Mineral Resources. These Inferred Mineral Resources are to be incorporated into a mine plan once upgraded.

Feasibility Study activities advanced during the three months ended December 31, 2018 in several key areas including water management, capital expenditures and operating expenditures for Cerro Blanco. Subsequent to the year end, on January 29, 2019, the Company announced the results of the Feasibility Study. Highlights from the Feasibility Study include the following:

- Average annual production of 146,000 ounces gold over the first three years of production.
- Average LOM AISC of \$579/oz (net of credits), which would place Cerro Blanco in the bottom end of the lowest quartile of the global cost curve.
- After-tax internal rate of return ("IRR") of 34%.
- Net present value of \$241 million after-tax using a discount rate of 5%.
- Initial capital of \$196 million with an after-tax payback period of 2.1 years.
- Life of mine production of approximately 902,000 ounces over 8-year mine life.
- Proven Mineral Reserves of 83,000 ounces of gold, Probable Mineral Reserves of 857,000 ounces of gold and 3.6 million ounces of silver (313,000 tonnes at 8.3 g/t Au, 3,131,000 tonnes at 8.5 g/t Au and 32.2 g/t Ag, respectively).

The Feasibility Study provides a compilation of the geological, engineering and hydrology work performed by the previous owners between 1997 and 2017, as well as work undertaken by Bluestone. The results of the Feasibility Study incorporate the infrastructure currently in place, including 3.2 kilometers of underground development, a fully functional water treatment plant, maintenance shops, warehouse and office facilities, and a total of 577 drill holes and over 128,000 meters of drilling.

The Feasibility Study focuses on an underground operation that incorporates the high-grade mineral resource estimate which was released on September 11, 2018 (the "High-Grade Resources Estimate"). Highlights from the High-Grade Resource Estimate (3.5 g/t Au cut-off) include the following:

- Measured Mineral Resource totaling 290,153 tonnes at 10.31 g/t Au for 96,184 ounces.
- Indicated Mineral Resource and grades in-line with expectations totaling 3,426,400 tonnes at 10.03 g/t Au for 1,105,284 ounces.
- Inferred Mineral Resource of 1,373,342 tonnes at 8.09 g/t Au for 357,319 ounces, an increase of 308,000 ounces from the preliminary economic assessment effective February 7, 2017 (the "PEA").
- The Inferred Mineral Resource ounces mainly comprise expansions to the known veins and present an opportunity for conversion to higher categories by additional in-fill drilling.

Project Development Updates (cont'd)

A summary of the High-Grade Resource Estimate is as follows (using a 3.5 g/t Au cut-off):

Resource Category	Tonnes	Au Grade (g/t)	Ag Grade (g/t)	Contained Gold (Oz)	Contained Silver (Oz)
Measured	290,153	10.3	39.1	96,184	365,106
Indicated	3,426,400	10.0	37.8	1,105,284	4,163,517
Measured & Indicated	3,716,553	10.1	37.9	1,201,468	4,528,623
Inferred	1,373,342	8.1	23.6	357,319	1,041,057

Bluestone announced positive metallurgical optimization test results on September 18, 2018. Optimization test work confirmed an improvement to the metallurgical recovery results published in the PEA. Optimization test work completed on drill core showed improved leach kinetics, indicating that a recovery of 96.6% is achievable utilizing pre-oxidation, a finer grind size (P80 passing 50 micron vs. P80 passing 75 micron) and the addition of lead nitrate. As a result of the optimization test work, residence time decreased to 48 hours (previously 96 hours) and reagent consumption was lowered. The Feasibility Study flow-sheet includes carbon in pulp compared to the PEA which was based on a Merrill Crowe process for gold and silver recovery.

The Company intends to focus on the following opportunities in Q1 and Q2 2019 in parallel with project financing initiatives:

- Mine life extension through the potential conversion of a portion of the Inferred Mineral Resources to Measured and Indicated Mineral Resources through in-fill drilling, followed by an updated Mineral Resource and mine plan.
- Potential resource growth from step-out drilling along existing veins that extend beyond the current Mineral Resource envelope.
- Identification of new high-grade veins during an infill drilling program underway as illustrated in the press release dated January 9, 2019.
- Further optimization of the mine plan and sequencing through basic engineering and trade-off study review.

A drilling program is currently underway, as announced on November 13, 2018, and ongoing results will be incorporated into an updated Mineral Resource estimate and mine plan.

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 km from the Pan American Highway near the town of Asuncion Mita, in the region of Jutiapa in Guatemala. In November of 2015, the Government of Guatemala granted Geotermia a 50-year license to build and operate a 50-megawatt geothermal plant.

A new reservoir calculation was completed during the twelve months ended December 31, 2018 with the data collected from the flow testing completed in Q2 2018, the test work confirmed the economic potential of the reservoir.

Mohave Copper Porphyry ("Mohave")

Mohave is located in north-western Arizona, U.S.A. and is interpreted as a large-scale, copper porphyry deposit with silver and molybdenum by-products. The Company continues to explore options for advancing Mohave.

Results of Operations for the Three Months Ended December 31, 2018 Compared to the Four Months Ended December 31, 2017

The Company's net loss for the three months ended December 31, 2018 totaled \$7,631,841 or \$0.12 per share as compared to a net loss of \$5,756,945 or \$0.09 per share for the four months ended December 31, 2017. Significant expenditures and variances are as follows:

	Three Months Ended December 31, 2018	Four Months Ended December 31, 2017	(Increase) Decrease in Net Loss
Accounting and legal	\$44,607	\$194,419	\$149,812
Advertising and promotion	48,892	47,298	(1,594)
Corporate listing and filing fees	887	12,285	11,398
Exploration and evaluation expenses ⁽¹⁾	4,240,108	2,979,522	(1,260,586)
Office and administration	203,957	346,674	142,717
Rent	39,973	23,445	(16,528)
Share-based compensation ⁽³⁾	255,895	847,919	592,024
Wages and consulting fees ⁽⁴⁾	1,232,778	884,944	(347,834)
Total expenses	(6,067,097)	(5,336,506)	(730,591)
Interest income	67,011	187,017	(120,006)
Accretion expense	(52,165)	(75,913)	23,748
Other income	(7,910)	—	(7,910)
Foreign exchange gain (loss)	433,862	(501,118)	934,980
Loss before income tax	(5,626,299)	(5,726,520)	100,221
Income tax expense ⁽⁵⁾	(2,005,542)	(30,425)	(1,975,117)
Net loss	(\$7,631,841)	(\$5,756,945)	(\$1,874,896)

Results of Operations for the Three Months Ended December 31, 2018 Compared to the Four Months Ended December 31, 2017 (cont'd)

- (1) Exploration and evaluation expenses for the quarters ending December 31, 2018 and December 31, 2017 were for the following:

	Three Months Ended December 31, 2018	Four Months Ended December 31, 2017
Cerro Blanco operating expenditures	\$2,991,743	\$3,277,841
Feasibility Study	793,616	440,452
Corporate social responsibility and community relations	371,270	284,949
Geothermal	12,413	127,973
Depreciation	75,963	114,372
Change in rehabilitation provision estimates ⁽²⁾	(4,897)	(1,266,065)
	\$4,240,108	\$2,979,522

- (2) The reduction in exploration and evaluation expenses during the four months ended December 31, 2017 of \$1,266,065 relates to a reduction in the estimated rehabilitation provision for Cerro Blanco.
- (3) The decrease in share-based compensation is the result of 3,701,250 of the stock options granted in 2017 becoming fully vested.
- (4) Increase in wages and consulting fees is due to an increase in the number of directors, executives and employees based in the Vancouver office.
- (5) Increase in income tax expense is due to the recognition of a deferred income tax liability due to the effects of foreign exchange on the tax basis of property, plant and equipment and exploration and evaluation assets in Guatemala. The tax basis of the assets in Guatemala still exceed their book cost, but that excess 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 December 31, 2018 and the previous seven quarters. The Company's condensed interim consolidated financial statements are reported under IFRS applicable to interim financial reporting.

	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	August 31, 2017 ⁽¹⁾	May 31, 2017 ⁽¹⁾	February 28, 2017 ⁽²⁾
Current assets	\$7,074,710	\$12,231,523	\$17,955,048	\$25,131,880	\$30,829,406	\$35,816,517	\$41,367,847	\$1,554,893
Property, plant and equipment	5,302,876	5,333,150	5,163,550	3,750,587	3,664,525	1,706,290	1,114,552	—
Exploration and evaluation assets	30,126,433	30,126,433	30,126,433	30,126,433	30,126,433	30,126,433	30,126,433	—
Total assets	44,255,376	49,450,151	55,030,177	60,817,390	66,364,124	70,308,596	74,608,832	1,554,893
Current liabilities	2,647,630	2,029,482	2,087,126	1,927,775	1,910,930	568,872	878,599	717,303
Working capital	4,427,080	10,202,041	15,867,922	23,204,105	28,918,476	35,247,645	40,489,248	837,590
Net loss	(7,631,841)	(6,101,735)	(6,096,361)	(5,765,447)	(5,756,945)	(2,254,475)	(152,641)	(210,498)
Basic and diluted loss per share	(0.12)	(0.10)	(0.10)	(0.09)	(0.09)	(0.04)	(0.04)	(0.05)
Weighted avg. shares	63,840,560	63,840,560	63,840,560	63,828,338	63,815,560	50,852,838	4,262,954	4,262,954

⁽¹⁾ The amounts for exploration and evaluation assets, total assets, and net loss for these quarters have been restated for the change in accounting policy for contingent consideration. Further description of this change in accounting policy can be found in note 3(c) of the Company's audited consolidated financial statements for the thirteen months ended December 31, 2017.

⁽²⁾ Amounts shown for these quarters have been restated for the change in presentation currency from Canadian dollars to U.S. dollars. Further description of this change in accounting policies can be found in note 3(b) of the Company's audited consolidated financial statements for the twelve months ended December 31, 2018.

In May 2017, the Company acquired Cerro Blanco and Mita Geothermal (collectively, the "Acquisition"), resulting in a significant increase in the selected financial data reported above. In addition, the Company completed a private placement financing in June 2017 which resulted in an increase in share capital. Quarterly results following the Acquisition and the private placement financing fluctuated depending upon the level of exploration and evaluation spend. There are no seasonal fluctuations in the results for the presented periods.

Results of Operations for the Twelve Months Ended December 31, 2018 Compared to the Thirteen Months Ended December 31, 2017

The Company's net loss for the twelve months ended December 31, 2018 totaled \$25,595,384 or \$0.40 per share as compared to a net loss of \$8,374,559 or \$0.25 per share for the thirteen months ended December 31, 2017. Significant expenditures and variances are as follows:

	Twelve Months Ended December 31, 2018	Thirteen Months Ended December 31, 2017	(Increase) Decrease in Net Loss
Accounting and legal	\$302,636	\$327,062	\$24,426
Advertising and promotion	265,671	73,440	(192,231)
Corporate listing and filing fees	21,838	43,219	21,381
Exploration and evaluation expenses ⁽¹⁾	18,946,581	4,129,553	(14,817,028)
Office and administration	815,320	538,921	(276,399)
Property investigation	—	27,644	27,644
Rent	145,895	39,660	(106,235)
Share-based compensation	1,445,780	1,522,198	76,418
Wages and consulting fees ⁽³⁾	2,813,526	1,544,235	(1,269,291)
Total expenses	(24,757,247)	(8,245,932)	(16,511,315)
Interest income	368,245	302,875	65,370
Accretion expense	(203,447)	(138,684)	(64,763)
Other income	(2,015)	—	(2,015)
Foreign exchange gain (loss)	1,013,063	(262,393)	1,275,456
Loss before income tax	(23,581,401)	(8,344,134)	(15,237,267)
Income tax expense ⁽⁴⁾	(2,013,983)	(30,425)	(1,983,558)
Net loss	(\$25,595,384)	(\$8,374,559)	(\$17,220,825)

Results of Operations for the Twelve Months Ended December 31, 2018 Compared to the Thirteen Months Ended December 31, 2017 (cont'd)

⁽¹⁾ Exploration and evaluation expenses for the fiscal years ending December 31, 2018 and December 31, 2017 were for the following:

	Twelve Months Ended December 31, 2018	Thirteen Months Ended December 31, 2017
Cerro Blanco operating expenditures	\$9,545,732	\$5,125,342
Feasibility Study	6,605,023	471,933
Corporate social responsibility and community relations	1,504,212	302,949
Geothermal	604,264	127,973
Depreciation	291,462	231,001
Change in rehabilitation provision estimates ⁽²⁾	395,888	(2,129,645)
	\$18,946,581	\$4,129,553

⁽²⁾ Exploration and evaluation expenses during the twelve months ended December 31, 2018 included \$395,888 (thirteen months ended December 31, 2017 - reduction of \$2,129,645) relating to a change in the estimated rehabilitation provision for Cerro Blanco and Mita Geothermal.

⁽³⁾ Increase in wages and consulting fees is due to an increase in the number of directors, executives and employees based in the Vancouver office.

⁽⁴⁾ Increase in income tax expense is due to the recognition of a deferred income tax liability due to the effects of foreign exchange on the tax basis of property, plant and equipment and exploration and evaluation assets in Guatemala. The tax basis of the assets in Guatemala still exceed their book cost, but that excess is treated as a permanent difference for tax accounting purposes.

Summary of Annual Results

The following table summarizes selected financial data reported by the Company for the year ended December 31, 2018 and the previous two fiscal years. Prior period amounts shown for the twelve months ended November 30, 2016 have been restated for the change in presentation currency from Canadian dollars to U.S. dollars.

	Twelve Months Ended December 31, 2018	Thirteen Months Ended December 31, 2017	Twelve Months Ended November 30, 2016
Total assets	\$44,255,376	\$66,364,124	\$22,617
Rehabilitation provisions	7,127,797	6,528,462	—
Net loss	(25,595,384)	(8,374,559)	(794,210)
Basic and diluted loss per share	(0.40)	(0.25)	(0.19)

Annual fluctuations due to timing of the Acquisition, full year of operations during 2018 and private placements in 2017.

Liquidity and Capital Resources

Cash decreased by \$23,548,784 during the twelve months ended December 31, 2018 from \$30,221,102 as at December 31, 2017 to \$6,672,318 as at December 31, 2018. Cash utilized in operating activities during the twelve months ended December 31, 2018 was \$21,634,552 (thirteen months ended December 31, 2017 - \$7,756,347), mostly for exploration and evaluation expenses. Cash utilized in investing activities during the twelve months ended December 31, 2018 was \$1,726,542 (thirteen months ended December 31, 2017 - \$23,310,483), mainly for purchases of equipment. During the twelve months ended December 31, 2018, the Company generated cash from financing activities of \$6,945 from a warrant exercise, compared to \$57,839,738 during the thirteen months ended December 31, 2017 mostly from private placements.

As at December 31, 2018, share capital was \$81,396,001 and was comprised of 63,840,560 issued and outstanding common shares (December 31, 2017 - \$81,193,312 comprised of 63,815,560 shares outstanding). The increase in outstanding common shares during the twelve months ended December 31, 2018 was the result of a warrant exercise. Reserves, which increased from the recognition of the fair value of stock options, were \$10,404,099 (December 31, 2017 - \$9,154,063). As a result of the net loss for the twelve months ended December 31, 2018, the deficit at December 31, 2018 increased to \$63,551,119 from \$37,955,735 at December 31, 2017. Accordingly, shareholders' equity on December 31, 2018 was \$32,483,537 compared to \$57,924,732 at December 31, 2017.

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

In order to finance the Company's operations, the Company has raised money through the sale of equity instruments and from the exercise of convertible securities. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for mineral exploration and resource development investments, the Company's track record 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 and of the Feasibility Study. 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.

Subsequent to the reporting period, the Company announced that it has entered into an agreement for a bought deal private placement for up to C\$16,000,000 of units of the Company at a price of C\$1.25 per unit. Each unit will consist of one common share of the Company and one-half of one common share purchase warrant. Each warrant will entitle the holder to acquire one common share of the Company for 24 months from the closing of the offering at a price of C\$1.65. The Company has also granted to the underwriters the option to sell up to an additional C\$5,000,000 of units. The Company has received conditional acceptance of the private placement transaction from the TSXV.

As at December 31, 2018, the Company has working capital of \$4,427,080, which is sufficient to meet the Company's commitments and foreseeable corporate needs, including expenditures required to maintain properties and agreements in good standing.

Liquidity and Capital Resources (cont'd)

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

	Payments due by period (as at December 31, 2018)		
	Less than one year	1 - 2 years	After 2 years
Trade and other payables	\$2,647,630	\$—	\$—
Minimum lease payments	154,552	180,311	—
Exploration and evaluation expense commitments	37,265	—	—
Total contractual obligations	2,839,447	180,311	0
Rehabilitation provisions	—	—	7,770,681
	\$2,839,447	\$180,311	\$7,770,681

In the Company's short form prospectus dated June 15, 2017, the Company provided a listing of the expected use of proceeds in connection with the prospectus offering. The following provides a comparison of the expected use of proceeds to the actual use of proceeds as of December 31, 2018:

Use of Proceeds to December 31, 2018	Proposed Use of Proceeds Amounts ⁽¹⁾	Actual Use of Proceeds Amounts	Difference ⁽²⁾
Payment of \$17.9 million cash portion to Goldcorp on closing of the Acquisition	\$17,900,000	\$17,900,000	\$—
Payment of \$2.0 million non-refundable deposit to Goldcorp for Marlin Equipment ROFR over certain mining equipment on closing of the Acquisition	2,000,000	2,000,000	—
Advisory fee to the lead agent in connection with the Acquisition	633,978	633,978	—
Field and test work in preparation for a feasibility study on Cerro Blanco	7,475,000	6,383,884	1,091,116
Site costs, including dewatering of Cerro Blanco and water treatment	4,974,386	8,879,931	(3,905,545)
Underground development of Cerro Blanco	1,484,891	—	1,484,891
Further exploration of the hydrothermal alteration zone surrounding the current Cerro Blanco mineral resource	1,484,891	167,763	1,317,128
Economic evaluation of the Mita Geothermal	185,611	732,237	(546,626)
Reserve for further development of Cerro Blanco	17,076,249	10,855,166	6,221,083
General and administrative expenses	2,227,337	5,699,814	(3,472,477)
Unallocated working capital	1,399,615	—	1,399,615
	\$56,841,958	\$53,252,773	\$3,589,185

⁽¹⁾ Amounts shown are converted to U.S. dollars from the C\$ amounts shown in the Company's short form prospectus dated June 15, 2017 using the May 30, 2017 exchange rate of US\$1.00 = C\$1.3469.

⁽²⁾ Differences noted in the table above are not expected to have a material impact on the Company's ability to achieve its business objectives and milestones as disclosed in the Company's short form prospectus dated June 15, 2017.

Risks and Uncertainties

Operations in Guatemala

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

Licenses and Title to Assets

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

In order to maintain the licenses for Cerro Blanco and Mita Geothermal in good standing, the Company must comply with the terms of the licenses, which include achieving certain development milestones for the projects. In the past, during ownership of Cerro Blanco by Goldcorp, the General Directorate of Mining ("GDM") of the Ministry of Environment and Natural Resources in Guatemala has commenced expiry proceedings against the exploitation license for Cerro Blanco on the basis of the failure to comply with the terms of such license. In each of these instances, Entre Mares was able to satisfy the GDM that the license provisions have been complied with and the license expiry proceedings were terminated. The Company understands that there are currently no expiry proceedings regarding the Cerro Blanco license; however, there can be no assurance that the GDM will not commence expiry proceedings in the future. No expiry proceedings affecting Mita Geothermal have previously been commenced; however, there can be no assurance that proceedings will not be commenced in the future for failure to meet the requirements in the exploitation license. In the event that cancellation proceedings are commenced, the Company understands that it will have a reasonable opportunity to cure any default or deficiency.

Risks and Uncertainties (cont'd)

Maintaining and Obtaining Licenses and Permits

In the ordinary course of business, the Company will be required to maintain and obtain governmental licenses or permits for the development, construction and commencement of commercial production at Cerro Blanco and Mita Geothermal and other potential projects. Maintaining and obtaining the necessary governmental licenses or permits is a complex and time-consuming process involving numerous jurisdictions and often involving public comment periods and costly undertakings on the part of the Company. The duration and success of the Company's efforts to maintain and obtain licenses or permits are contingent upon many variables not within the Company's control, including local politics, legal challenges and the interpretation of applicable requirements implemented by the licensing or permitting process which could prevent or delay the development or impede the operation of a mine, which could adversely impact the Company's operations and profitability.

Environmental Hazards

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

Governmental Laws and Regulations

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

Risks and Uncertainties (cont'd)

Community Action

In recent years, certain communities and non-governmental organizations ("NGOs") in Guatemala have been vocal and negative with respect to mining activities in Guatemala. These communities and NGOs have taken such actions as protests, road closures, work stoppages and initiating lawsuits for damages. These actions relate not only to current activities but often in respect to decades-old mining activities by prior owners of mining properties. Such actions by communities and NGOs may have a material adverse effect on Bluestone's operations at Cerro Blanco and Mita Geothermal and on Bluestone's financial position, cash flow and results of operations.

Uncertainty of Development Projects

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

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

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

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

Risks and Uncertainties (cont'd)

Estimates of Mineral Reserves and Resources

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

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

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

Anti-corruption Laws

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

Risks and Uncertainties (cont'd)

Tax Risks

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

Reliance on Third Parties and Risk Associated with Foreign Subsidiaries

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

Property Commitments

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

Limited Operational History

The Company has a limited history of operations and there is no reasonable prospect for the generation of material revenue by the Company at least until such time as commercial production of gold commences at Cerro Blanco, which is not expected to occur before 2021. The Company is subject to many risks, including under-capitalization, cash shortages limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on securityholders' investment and the likelihood of success must be considered in light of its early stage of operations. Additionally, the Company has no intention of paying any dividends in the near future. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing, if able to be obtained, will be favourable.

Risks and Uncertainties (cont'd)

Substantial Capital Requirements

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

Acquisition Risk

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

Future Sales or Issuances of Common Shares

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

Competition

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

Risks and Uncertainties (cont'd)

Dependence on Key Personnel

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

Current Global Financial Conditions

Current global financial conditions for mining companies have been affected by a prolonged decline in commodities prices. Access to public financing has also been negatively impacted by the prolonged decline in commodities prices and the resulting decrease in the values of the securities of many mining companies. These factors may impact the ability of Bluestone to obtain equity or debt financing in the future on terms favourable to Bluestone, or at all. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such decreased levels of commodity prices continue, Bluestone's operations could be adversely impacted and the trading price of the securities of Bluestone may be adversely affected.

Changes in Climate Conditions

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

Control Person of the Company

Certain shareholders exercise control or direction over an aggregate of approximately 36% of the issued and outstanding common shares. As such, these shareholders may have the ability to substantially affect the outcome of matters submitted to the shareholders of the Company for approval. The Company's interests and those of the major shareholders may at times conflict, and this conflict might be resolved against the Company's interests. Sales of shares by major shareholders can have a negative effect on the Company's share price.

Public Company Requirements

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

Risks and Uncertainties (cont'd)

Marketability of Natural Resources

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

Conflicts of Interest

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

Uninsurable Risks

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

Infrastructure

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

Price Volatility of Publicly Traded Securities

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

Risks and Uncertainties (cont'd)

Risk of Fines and Penalties

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

There May Be Undisclosed Risks and Liabilities Relating to the Acquisition

While the Company conducted substantial due diligence of Entre Mares and Geothermia and their respective operations, Cerro Blanco and Mita Geothermal, in connection with the Company's evaluation of the Acquisition, there are risks inherent in any acquisition. Specifically, there could be unknown or undisclosed risks or liabilities relating to Entre Mares and Geothermia or Cerro Blanco and Mita Geothermal for which the Company is not sufficiently indemnified pursuant to the provisions of the transaction agreement. Any such unknown or undisclosed risks or liabilities could materially and adversely affect the Company's financial performance and results of operations. The Company could encounter additional transaction and integration related costs or other factors such as the failure to realize all of the benefits anticipated in the Acquisition. All of these factors could cause dilution to the Company's earnings per share or decrease or delay the anticipated accretive effect of the Acquisition and cause a decrease in the market price of the common shares.

The Anticipated Benefits of the Acquisition May Not Be Realized

There can be no assurance that the Company will be able to fully realize the expected benefits of the Acquisition, including from a margin, accretion and cash flow perspective. There is a risk that some or all of the expected benefits will fail to materialize or may not occur within the time periods anticipated by the Company. The realization of such benefits may be affected by a number of factors, many of which are beyond the control of the Company.

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

The Acquisition was completed on May 31, 2017. The completion of the Acquisition poses additional risks to the Company's business. The success of the Acquisition will depend, in part, on the ability of the Company to realize the anticipated benefits of the Acquisition, including developing Cerro Blanco pursuant to the recommendations of the PEA and Feasibility Study and proceeding directly to feasibility stage engineering at Cerro Blanco. Development projects are subject to the completion of successful feasibility studies and environmental assessments, issuance of necessary governmental permits and availability of adequate financing. The economic feasibility of development projects is based on many factors such as: estimation of mineral reserves, anticipated metallurgical recoveries, environmental considerations and permitting and anticipated capital and operating costs of these projects. Development projects are uncertain and it is possible that actual capital and operating costs and economic returns will differ significantly from those estimated for a project prior to production.

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

Information Systems

Targeted attacks on the Company's systems (or on systems of third parties that the Company relies on), failure or non-availability of a key information technology ("IT") systems or a breach of security measures designed to protect the Company's IT systems could result in disruptions to its operations, extensive personal injury, property damage or financial or reputational risks. The Company has engaged IT consultants to implement and test system controls and disaster recovery infrastructure for certain IT systems. As the threat landscape is ever-changing, the Company must make continuous mitigation efforts, including: risk prioritized controls to protect against known and emerging threats; tools to provide automate monitoring and alerting and backup and recovery systems to restore systems and return to normal 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, options and share purchase warrants are outstanding as at March 8, 2019:

	Number of Shares	Exercise Price C\$	Remaining life (years)
Issued and Outstanding Common Shares	63,850,560		
Stock options	5,730,000	1.50	1.29 - 2.90
Warrants	5,179,309	0.35 - 2.00	0.23 - 1.33
Fully diluted at March 8, 2019	74,759,869		

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 members of the Company's Board of Directors and key corporate officers: Darren Klinck, President, Chief Executive Officer and Director; Peter Hemstead, Chief Financial Officer; Jeff Reinson, Vice President, Project Development; David Gunning, Vice President, Operations; David Cass, Vice President, Exploration; John Robins, Executive Chairman; Zara Boldt, Director; Leo Hathaway, Director; William Lamb, Director; Paul McRae, Director; Jim Paterson, Director; and Keith Peck, former Director. The remuneration of key management personnel included in the consolidated statements of loss and comprehensive loss is as follows:

	Twelve Months Ended December 31, 2018	Thirteen Months Ended December 31, 2017
Wages and consulting	\$2,020,236	\$1,174,375
Share-based compensation	1,259,185	1,330,884
	\$3,279,421	\$2,505,259

Related party payables

The balance payable to related parties as at December 31, 2018 was \$609,891 (December 31, 2017 - \$526,629). The balance payable was to Darren Klinck, Peter Hemstead, Jeff Reinson, David Gunning, David Cass and John Robins in connection with the payment of short-term incentives related to the twelve months ended December 31, 2018. During the thirteen months ended December 31, 2017, the Company received a \$10,513 loan from John Robins. The amount was fully repaid within the thirteen months ended December 31, 2017.

Transactions with Related Parties (cont'd)***Limited recourse loans***

In June 2017, the Company issued 500,000 common shares with a fair value of C\$750,000 to Darren Klinck, Peter Hemstead and David Gunning. In connection with the issuance of these shares, the Company made an interest free, non-recourse loan to the employees in the amount of C\$750,000 to enable them to acquire the shares. The employees pledged the shares to the Company as security for the loan until the shares are sold to the Company or are otherwise released to the employees in accordance with the terms of the Company's management compensation plan.

In the event that the shares sold to the Company are insufficient to repay the loan, the loan is forgiven. 25% of the shares vest on grant, with the remainder vesting 25% annually thereafter. The loan is repayable upon the termination of an employee's employment with the Company until the earlier of: 1) a change of control of the Company, 2) three years from the grant date of the loan and 3) the commencement of commercial production at Cerro Blanco, after which time the loan may be forgiven at the request of the employees.

Financial Instruments and Financial Risk Management

A description of the Company's financial instruments and financial risk management can be found in notes 14 and 15, respectively, of the Company's audited consolidated financial statements for the twelve months ended December 31, 2018.

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 twelve months ended December 31, 2018. The Company adopted IFRS 9, *Financial instruments* on January 1, 2018. A description of this can be found in note 3(a) of the Company's audited consolidated financial statements for the twelve months ended December 31, 2018.

New Standards and Future Accounting Changes

A description of the IASB's new standards and future accounting changes of the Company can be found in note 2(r), of the Company's audited consolidated financial statements for the twelve months ended December 31, 2018.

Disclosure of Internal Controls

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence that: (i) the audited consolidated financial statements for the twelve months ended December 31, 2018 do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, and (ii) the audited consolidated financial statements for the twelve months ended December 31, 2018 fairly present in all material respects the financial condition, results of operations and cash flow of the Company.

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

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

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

Approval

The Board of Directors of Bluestone has approved the disclosure contained in this MD&A on March 8, 2019. 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 or can be obtained by contacting:

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