

Bluestone Advances Basic Engineering at Cerro Blanco, Provides Project Update and Plans for 2021

January 26, 2021 – VANCOUVER, BRITISH COLUMBIA – Bluestone Resources Inc. (TSXV:BSR | OTCQB:BBSRF) ("Bluestone" or the "Company") is pleased to provide an update on the Company's activities during 2020 at its 100% owned Cerro Blanco gold project located in southern Guatemala ("Project"), and provide an outlook on plans for 2021. During 2020, a Project Readiness Update ("PRU") was undertaken which involved a thorough and extensive review of the current mine plan, engineering, process flow sheet, capital and operating cost estimates, along with the execution strategy. The PRU will be further optimized in H1 2021 following the completion of an updated mineral resource estimate and mine plan to incorporate the recently completed 2020 drill program.

2020 Highlights

- \$30 million credit facility with Natixis secured (a lending bank in connection with Project finance).
- Jack Lundin appointed as CEO and to the Board of Directors.
- Several important optimization and trade-off studies completed.
- Completed a successful C\$92 million equity financing to fund advancement of the Project.
- Technical, environmental, and social due diligence for the Project Finance banks completed.
- Completed basic engineering.
- Completed over 15,000 meters of infill drilling that returned the highest-grade intercept (1,380 g/t gold & 2,194 g/t silver) ever drilled at the Project.

Jack Lundin, CEO, commented, "2020 was no doubt a challenging year but from the onset of the pandemic we were able to adapt quickly to this new environment and are feeling motivated entering into 2021. Despite the COVID-19 pandemic and the travel restrictions in place in Guatemala for the last eight months of the year, the commitment and hard work of our Guatemalan team, together with the firm support of both the Guatemalan government and local stakeholders, allowed us to advance the Project in several key disciplines which included completion of basic engineering, validation of the underground mine plan, as well as the 2019 Feasibility Study ("FS") production profile over the life-of-mine. Additionally, we were able to successfully complete a 15,000 meters infill drill program in the South Zone in December. We have been supported with a steady flow of great results, including 15 meters grading 21.6 g/t gold and 52 g/t silver plus truly bonanza grades of up to 1,380 g/t gold and 2,194 g/t silver over 1.2 meters (see press releases [June 9, 2020](#) and [November 19, 2020](#))."

Regarding outlook for 2021, Mr. Lundin added, "The Project execution team will continue to work to optimize the Project as the Company waits for the lagging assay results. We have seen the upside potential in the near surface high grade intercepts and are confident we will be able to increase the mine life at Cerro Blanco with the rest of the results. As we wait, additional studies are currently being undertaken that look at a variety of development options. Our focus remains on maximizing the potential benefits at Cerro Blanco for all of our stakeholders."

Project Readiness Update

The FS envisioned a 1,250 tonne per day ("tpd") mine producing approximately 113,000 ounces of gold a year over an eight-year mine life at an AISC of \$579/oz (see NI 43-101 technical report titled "Feasibility Study NI-43-101 Technical Report Cerro Blanco Project Guatemala", prepared by Maz Mohaseb, P.Eng., Michael Makarenko, P.Eng., Kelly McLeod, P.Eng., Richard Boehnke, P.Eng., Mike Levy, P.E., Garth Kirkham, P.Geo., Hhan Olsen, P.G., CPG and Bryan Ulrich, P.E., dated January 29, 2019 and filed on www.sedar.com under Bluestone's SEDAR profile). Since that time, Bluestone has completed an infill drill

program in the North Zone of the deposit and an updated resource estimate which added over 200,000 ounces of gold in Measured and Indicated categories (see Company press release [November 6, 2019](#)). Additionally, with the onboarding of key Project development personnel, the Company has conducted an in-depth technical analysis of the entire Project and completed basic engineering and trade-off studies to optimize future operations.

The PRU is intended as an interim study to build off the compilation of geological, engineering, and hydrological studies performed during the FS. Further optimizations to the mine plan are expected following an updated resource estimate in H1 2021. The mine plan review to date, along with the decision to purchase the mining mobile fleet during the construction period, combined with the additional detail of basic engineering, is expected to result in moderate increases to capital and operating costs compared to the FS; however, the impact of an increased gold price, additional ounces recoverable, and other optimizations are expected to offset this, resulting in robust Project economics in line with the FS.

Highlights below are provided as an interim update and are therefore preliminary in nature, incorporating results of recent basic engineering and various optimization and trade-off studies. The reader is cautioned that the following highlights are considered Forward Looking Statements and subject to risks and uncertainties that may cause the actual results to differ materially from those discussed (see Forward Looking Statements at the end of this press release).

Unless otherwise indicated, all dollar amounts are stated in U.S dollars (“\$”). Base case was completed at a gold price of \$1,500/oz and a silver price of \$20/oz.

Highlights of the PRU Study

- Average annual gold production in line with the 2019 Feasibility Study.
- Project within the bottom end of the lowest quartile of the global cost curve, with an average life of mine (“LOM”) all-in sustaining costs (“AISC”) sub \$675/oz (net of credits).
- Average annual free cash flow of approximately \$85 million per year over the LOM.
- After-tax internal rate of return (“IRR”) of approximately 30%.
- Net present value using a discount rate of 5% (“NPV”) expected to exceed \$300 million after-tax.
- Initial capital of approximately \$225 million* (including preproduction revenue) with an after-tax payback period of under 3 years.
- Approximately 1Moz of gold and 3Moz of silver recovered.

*Capital cost is inclusive of contingency and pre-production revenue net of taxes but exclusive of early works activities. Value added tax was excluded as it is refundable.

Darren Klinck, President, commented, “The additional engineering work confirms that Cerro Blanco would be a low-cost producer with first quartile AISC as demonstrated in the FS. The gold environment has since improved significantly, and offsets increases to capex due to advancing engineering and de-risking of the Project. Looking forward into 2021, we intend to update the Cerro Blanco resource estimate and mine plan in the first half of the year.”

Project Finance

Significant advancements were made during 2020 with the Project Finance negotiations which included the completion of independent technical engineering, environmental, and social reports along with advancements to long-form term sheets. Further corporate and project finance updates will be provided in Q1. As of January 1, 2021, Bluestone had a cash balance of approximately \$50 million.

Project Optimizations

Further to the resource update in 2019, an additional 15,171 meters of infill drilling were completed in 2020 which focused on the South Zone with the goal to improve the definition of key veins in parallel to expanding the mineralization of known veins outside of the current resource envelope. Recently reported

results included the highest-grade intercept ever drilled at the Project, grading 1,380 g/t gold and 2,194 g/t silver over 1.2 meters (see press Release [November 19, 2020](#)). The 2020 infill drill program was successfully completed; however, assay results have been delayed due to slower processing times because of the COVID-19 pandemic. Results from approximately half of the program are still outstanding but once received, the resource estimate and mine plan will be updated.

A draft LOM plan was updated at the end of 2020 and it is anticipated that further optimizations will be captured following the updated resource estimate over the next few months. The average annual production is expected to be in line with the FS over the LOM. A self-perform vs contractor mining trade-off study was undertaken and the self-perform mine development option was deemed to be the best option. This is a change in the execution strategy compared to the FS in addition to the purchase of the mobile mining fleet now being capitalized.

Since the FS, Bluestone has undertaken additional metallurgical test work which has confirmed the flow sheet and resulted in some simplifications of the process plant design. These optimizations include changing the comminution circuit from three-stage crushing, two ball mill configurations to single stage crushing followed by SAG and ball mill configuration.

Qualified Person

David Cass, P.Geo., Vice President Exploration, is the designated Qualified Person for this news release within the meaning of National Instrument 43-101 and has reviewed and verified that the scientific and technical information set out above in this news release is accurate and therefore approves this written disclosure of the technical information.

About Bluestone Resources

Bluestone Resources is a mineral exploration and development company that is focused on advancing its 100%-owned high-grade Cerro Blanco Gold and Mita Geothermal projects located in Guatemala. The Company trades under the symbol “BSR” on the TSX Venture Exchange and “BBSRF” on the OTCQB.

On Behalf of Bluestone Resources Inc.

“Jack Lundin”

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Forward Looking Statements

This press release 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 Bluestone Resources Inc. (“Bluestone” or the “Company”) believes, expects, or anticipates will or may occur in the future including, without limitation: the Company’s plans for 2021; the anticipated results of the PRU and expected optimizations; the Company’s current expectations regarding the mining method and alternative development options; completion of Project financing; anticipated timing and results of exploration, drilling, and assays; increasing the amount of measured mineral and indicated mineral resources; the proposed timeline and benefits of further drilling; the proposed timeline and benefits of 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 development expenses; expected working capital requirements; the future financial estimates of the Cerro Blanco Project economics, including estimates of capital costs of constructing mine facilities, and bringing a mine into production, and of sustaining capital costs, estimates of operating costs and total costs, net present value

and economic returns; proposed production timelines and rates; funding availability; resource estimates; and future exploration and operating plans are forward-looking statements. 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 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: 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; 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; 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 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 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, 2019, available on the Company’s SEDAR profile at 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.

Non-IFRS Financial Performance Measures

The Company has included certain non-International Financial Reporting Standards (“IFRS”) measures in this news release. The Company believes that these measures, in addition to measures prepared in accordance with IFRS, provide investors an improved ability to evaluate the underlying performance of the Company and to compare it to information reported by other companies. The non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to similar measures presented by other issuers.

All-in sustaining costs

The Company believes that all-in sustaining costs (“AISC”) more fully defines the total costs associated with producing gold.

The Company calculates AISC as the sum of refining costs, third party royalties, site operating costs, sustaining capital costs, and closure capital costs all divided by the gold ounces sold to arrive at a per ounce amount. Other companies may calculate this measure differently as a result of differences in underlying principles and policies applied. Differences may also arise due to a different definition of sustaining versus non-sustaining capital.

AISC reconciliation

AISC and costs are calculated based on the definitions published by the World Gold Council (“WGC”) (a market development organization for the gold industry comprised of and funded by 18 gold mining companies from around the world). The WGC is not a regulatory organization.