



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2018 and May 31, 2017

(Unaudited)

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

	Notes	June 30, 2018	December 31, 2017
Current assets			
Cash and cash equivalents		\$17,514,621	\$30,221,102
Accounts receivable		70,591	239,845
Prepaid expenses		231,510	220,750
Inventory		138,326	147,709
		17,955,048	30,829,406
Non-current assets			
Restricted cash		1,785,146	1,743,760
Property, plant and equipment	5	5,163,550	3,664,525
Exploration and evaluation assets	4	30,126,433	30,126,433
Total assets		\$55,030,177	\$66,364,124
Current liabilities			
Trade and other payables	6	\$2,087,126	\$1,910,930
		2,087,126	1,910,930
Non-current liabilities			
Rehabilitation provisions	7	7,028,747	6,528,462
Total liabilities		9,115,873	8,439,392
Shareholders' equity			
Share capital	8	81,300,871	81,193,312
Reserves		9,970,418	9,154,063
Accumulated other comprehensive income		4,460,559	5,533,092
Deficit		(49,817,544)	(37,955,735)
Total shareholders' equity		45,914,304	57,924,732
Total liabilities and shareholders' equity		\$55,030,177	\$66,364,124

Nature of operations and going concern (note 1)

Approved on August 22, 2018 on behalf of the Board of Directors:

"Zara Boldt"

Zara Boldt, Director

"Darren Klinck"

Darren Klinck, Director

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

Bluestone Resources Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in United States dollars - Unaudited)

	Notes	Three Months Ended June 30, 2018	Three Months Ended May 31, 2017	Six Months Ended June 30, 2018	Six Months Ended May 31, 2017
Expenses					
Accounting and legal		\$74,879	\$23,613	\$213,945	\$24,322
Accretion	7	51,404	—	99,500	—
Advertising and promotion		68,382	—	159,068	4,108
Corporate listing and filing fees		4,312	13,136	18,962	17,651
Exploration and evaluation expenses	9	5,075,280	—	9,895,468	—
Office and administration		206,063	14,540	462,310	26,607
Property investigation		—	21,529	—	31,417
Rent		27,090	1,535	70,168	1,903
Share-based compensation	8	448,976	—	916,969	—
Wages and consulting fees		500,408	173,248	1,070,349	352,091
		(6,456,794)	(247,601)	(12,906,739)	(458,099)
Interest income		96,695	30,163	215,815	30,163
Other income		13,056	—	23,980	—
Foreign exchange gain		262,050	64,797	816,503	64,797
Loss before income tax		(6,084,993)	(152,641)	(11,850,441)	(363,139)
Income tax expense		(11,368)	—	(11,368)	—
Net loss		(6,096,361)	(152,641)	(11,861,809)	(363,139)
Translation adjustment		(350,582)	24,343	(1,072,533)	5,464
Comprehensive loss		(\$6,446,943)	(\$128,298)	(\$12,934,342)	(\$357,675)
Weighted average number of common shares outstanding – basic and diluted		63,840,560	4,262,954	63,834,483	4,262,954
Basic and diluted loss per common share		(\$0.10)	(\$0.04)	(\$0.19)	(\$0.09)

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

Bluestone Resources Inc.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in United States dollars - Unaudited)

		<u>Share capital</u>						
	Notes	Shares	Amount	Subscriptions received	Reserves	Accumulated other comprehensive income	Deficit	Total shareholders' equity
Balance, December 1, 2016 (restated)	3	4,262,954	\$20,324,454	\$—	\$7,091,544	\$2,127,741	(\$29,581,176)	(\$37,437)
Subscriptions received	8	—	—	62,036,465	—	0	0	62,036,465
Special warrants	4	—	—	—	3,440,198	0	0	3,440,198
Consideration warrants	4	—	—	—	129,259	0	0	129,259
Income (loss) for the period		—	—	—	—	5,464	(363,139)	(357,675)
Balance, May 31, 2017		4,262,954	\$20,324,454	\$62,036,465	\$10,661,001	\$2,133,205	(\$29,944,315)	\$65,210,810
Balance, January 1, 2018		63,815,560	\$81,193,312	\$—	\$9,154,063	\$5,533,092	(\$37,955,735)	\$57,924,732
Share-based compensation	8	—	97,840	—	819,129	—	—	916,969
Exercise of warrants	8	25,000	9,719	—	(2,774)	—	—	6,945
Loss for the period		—	—	—	—	(1,072,533)	(11,861,809)	(12,934,342)
Balance, June 30, 2018		63,840,560	\$81,300,871	\$—	\$9,970,418	\$4,460,559	(\$49,817,544)	\$45,914,304

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

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

	Notes	Six Months Ended June 30, 2018	Six Months Ended May 31, 2017
Cash flows used in operating activities			
Net loss for the period		(\$11,861,809)	(\$363,139)
Accretion expense	7	99,500	—
Depreciation	5	141,805	—
Share-based compensation	8	916,969	—
Change in restoration provision estimate	7	400,785	—
Interest income		(202,316)	—
Other income		(36,345)	—
Income tax expense		11,368	—
Non-cash foreign exchange (gain)		(892,764)	—
Changes in non-cash working capital:			
Accounts receivable		132,251	(58,400)
Prepaid expenses		(15,853)	(42,796)
Inventory		9,383	—
Trade and other payables		247,070	380,979
Cash (used) in operating activities		(11,049,956)	(83,356)
Cash flows from investing activities			
Cash paid on Acquisition	4	—	(17,900,000)
Cash acquired in Acquisition	4	—	339,890
Acquisition costs	4	—	(1,714,850)
Purchase of plant and equipment	5	(1,641,086)	—
Proceeds from disposal of plant and equipment		22,709	—
Deposit on Marlin mine assets	5	—	(2,000,000)
Increase in restricted cash		(77,815)	—
Interest received		202,316	—
Cash (used) in investing activities		(1,493,876)	(21,274,960)
Cash flows from financing activities			
Proceeds from exercises of warrants	8	6,945	—
Proceeds from loans payable		—	10,513
Proceeds from subscriptions	8	—	59,202,842
Proceeds from convertible loans	8	—	2,833,623
Deferred financing costs		—	(3,725,218)
Cash generated by financing activities		6,945	58,321,760
Effects of foreign exchange rate changes on cash and cash equivalents		(169,594)	1,606
(Decrease) increase in cash and cash equivalents		(12,706,481)	36,965,050
Cash and cash equivalents, beginning of the period		30,221,102	21,123
Cash and cash equivalents, end of the period		\$17,514,621	\$36,986,173

Supplemental cash flow information (note 13)

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

1. Nature of Operations and Going Concern

a) Nature of operations

Bluestone Resources Inc. ("Bluestone" or the "Company"), incorporated on November 7, 2000 under the Business Corporations Act (Alberta) and continued into British Columbia on June 13, 2005, is a resource company focused on the exploration and development of its 100% owned Cerro Blanco Gold project ("Cerro Blanco") and Mita Geothermal project ("Mita Geothermal"), both located in Guatemala. The Company's head and registered office is located at Suite 1020, 800 West Pender Street, Vancouver, BC, V6C 2V6. The Company is listed on the TSX Venture Exchange and trades under the symbol BSR.

b) Going concern

These condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to continue its operations for at least the next twelve months and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has a history of losses with no revenues and has working capital of \$15,867,922 as at June 30, 2018. Within the next twelve months, Bluestone's objectives center on the development of a detailed strategy for advancing the completion of a feasibility study for Cerro Blanco and further economic assessment of Mita Geothermal. There can be no assurances that the Company will be able to obtain additional financing on satisfactory terms and/or achieve profitability or positive cash flows from its future operations. The Company has sufficient working capital to maintain its planned operations and its activities for the foreseeable future.

These condensed interim consolidated financial statements do not include any adjustments relating to the recorded amounts and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. Significant Accounting Policies, Estimates and Judgments

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

These condensed interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2017.

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

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on August 22, 2018.

For all periods presented, these condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation. A wholly owned subsidiary is an entity in which the Company has 100% control, directly or indirectly, where control is defined as the power to govern the financial and operating policies of an enterprise to obtain benefits from its activities.

b) Significant accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of estimates and/or judgments that affect the amounts reported and disclosed in the consolidated financial statements and related notes. These estimates and judgments are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ materially from the amounts included in the financial statements. The critical estimates and judgments applied in the preparation of the unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2018 are consistent with those applied and disclosed in note 2(q) to the Company's audited consolidated financial statements for the thirteen months ended December 31, 2017.

c) Change of year end

Effective in 2017, the Company changed its financial year end from November 30 to December 31 in order to align the Company's year end with that of comparative companies and its subsidiary, Entre Mares de Guatemala S.A. ("Entre Mares"), which operates on a calendar fiscal year end in Guatemala. Accordingly, these condensed interim consolidated financial statements present the results of operations for the three and six months ended June 30, 2018 and May 31, 2017.

d) New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB. The following has not yet been adopted by the Company and is being evaluated to determine its impact:

- IFRS 16, *Leases* ("IFRS 16"): New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. We are currently assessing the impact on our consolidated financial statements. We expect that IFRS 16 will result in an increase in assets and liabilities as fewer leases will be expensed as payments are made. We expect an increase in depreciation and accretion expenses and also an increase in cash flow from operating activities as these lease payments will be recorded as financing outflows in our consolidated statement of cash flow.

3. Changes in Accounting Policies

a) IFRS 9, *Financial instruments* ("IFRS 9")

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39, *Financial instruments: recognition and measurement* ("IAS 39"). There was no material impact to the Company's consolidated financial statements as a result of transitioning to IFRS 9.

The details of the new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

Classification and measurement of financial assets and liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 financial assets categories of held to maturity, loans and receivables and available for sale.

The impact of IFRS 9 on the classification and measurement of financial assets and liabilities is set out as follows:

A financial asset is classified as measured at: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. The Company's cash and cash equivalents and restricted cash are classified as FVTPL. The Company's accounts receivable and trade and other payables are classified as measured at amortized cost.

Impairment of financial assets

An expected credit loss ("ECL") model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The Company's financial assets measured at amortized cost and subject to the ECL model consist primarily of accounts receivables.

The adoption of the ECL impairment model had a negligible impact on the carrying amounts of the Company's financial assets on the transition date given the receivables are all current and the minimal historical level of default.

b) Change in currency presentation

With the Company's Guatemalan operations having the United States dollar as their functional currency, the Company decided to change its presentation currency from the Canadian dollar to the United States dollar on May 31, 2017 to better reflect the operations of the consolidated entity. The change in the financial statement presentation currency is considered an accounting policy change and has been accounted for retrospectively. Exchange differences arising on translation from the Canadian dollar functional currency to the United States dollar presentation currency have been recognized in other comprehensive income and accumulated as a separate component of equity.

4. Acquisition of the Cerro Blanco and Mita Geothermal

On May 31, 2017, the Company completed the transaction (the "Acquisition") set out in a transaction agreement with Goldcorp Inc. ("Goldcorp") and its affiliates and acquired 100% of the issued and outstanding shares of Entre Mares, Goldcorp's indirectly wholly-owned subsidiary which owns 100% of Cerro Blanco, and 100% of the issued and outstanding shares of Blue NRG Limited ("NRG"), Goldcorp's indirectly wholly-owned subsidiary which owns 100% of Mita Geothermal. In addition, the Company acquired a right of first refusal ("Marlin Equipment ROFR") on certain assets and equipment at Goldcorp's Marlin mine, located in northern Guatemala. The consideration for the Marlin Equipment ROFR was not included in the purchase price allocation below as it has been accounted for as a separate transaction (note 5). Based on an assessment of the relevant facts and circumstances, the Company concluded that the Acquisition should be accounted for as an acquisition of assets and assumption of liabilities.

The following table summarizes the allocation of the purchase price and related acquisition costs to the fair value of the assets acquired and liabilities assumed of Entre Mares and NRG at the date of acquisition:

Cash	\$17,900,000
Special Warrants ⁽¹⁾	3,440,198
Consideration Warrants ⁽²⁾	129,259
Transaction costs	1,714,850
Total consideration	\$23,184,307
Cash and cash equivalents	\$339,890
Amounts receivable	5,933
Inventory	168,556
Property, plant and equipment	1,114,552
Exploration and evaluation assets	30,126,433
Accounts payable and accrued liabilities	(51,634)
Rehabilitation provision	(8,519,423)
Net identifiable assets acquired	\$23,184,307

⁽¹⁾ Consisted of 3,099,160 special warrants (note 8) of the Company (the "Special Warrants"), each entitling Goldcorp to acquire one common share of the Company without further payment or action.

⁽²⁾ Consisted of 258,805 common share purchase warrants of the Company (the "Consideration Warrants"). Each Consideration Warrant will be exercisable into one common share at an exercise price of \$2.00 until May 31, 2019.

As a part of the Acquisition, the Company is required to make a contingent payment of \$15,000,000 to Goldcorp within six months of commencement of commercial production at Cerro Blanco and pay Goldcorp a 1% net smelter returns royalty on the sale of gold and silver produced from Cerro Blanco. These contingent considerations were not recognized at the date of the Acquisition.

Bluestone Resources Inc.
Notes for the Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2018
(Expressed in United States dollars - Unaudited)

5. Property, Plant and Equipment

	June 30, 2018		
	Land	Plant and equipment ⁽¹⁾	Total
Cost			
Balance, January 1, 2018	\$907,858	\$2,987,668	\$3,895,526
Additions	—	1,641,086	1,641,086
Disposals	—	(87,478)	(87,478)
Translation differences	—	(256)	(256)
Balance, June 30, 2018	907,858	4,541,020	5,448,878
Accumulated depreciation			
Balance, January 1, 2018	—	(231,001)	(231,001)
Charge for the period (note 9)	—	(141,805)	(141,805)
Disposals	—	87,478	87,478
Balance, June 30, 2018	—	(285,328)	(285,328)
Net book value at June 30, 2018	\$907,858	\$4,255,692	\$5,163,550

	December 31, 2017		
	Land	Plant and equipment ⁽¹⁾	Total
Cost			
Balance, December 1, 2016	\$—	\$—	\$—
Acquisition of the Cerro Blanco Gold and Mita Geothermal projects (note 4)	907,858	206,694	1,114,552
Additions ⁽²⁾	—	2,780,974	2,780,974
Balance, December 31, 2017	907,858	2,987,668	3,895,526
Accumulated depreciation			
Balance, December 1, 2016	—	—	—
Charge for the period	—	(231,001)	(231,001)
Balance, December 31, 2017	—	(231,001)	(231,001)
Net book value at December 31, 2017	\$907,858	\$2,756,667	\$3,664,525

⁽¹⁾ Includes assets under construction of \$1,604,234 at June 30, 2018 (December 31, 2017 - \$154,639).

⁽²⁾ Includes assets received from Goldcorp's Marlin mine in relation to the \$2,000,000 deposit under the Marlin Equipment ROFR (note 4). As at June 30, 2018 and December 31, 2017, all assets relating to the deposit have been received.

6. Trade and Other Payables

Trade and other payables consist of the following:

	June 30, 2018	December 31, 2017
Trade payables	\$769,864	\$1,005,944
Accrued liabilities	1,111,172	445,006
Payroll liabilities	205,470	454,779
Income taxes payable	620	5,201
	\$2,087,126	\$1,910,930

7. Rehabilitation Provisions

The changes in the close down and restoration provision during the six months ended June 30, 2018 and the thirteen months ended December 31, 2017 were as follows:

	June 30, 2018	December 31, 2017
Balance, beginning of period	\$6,528,462	\$—
Acquisition of the Cerro Blanco and Mita Geothermal (note 4)	—	8,519,423
Accretion (unwinding of discount)	99,500	138,684
Change in estimates	400,785	(2,129,645)
Balance, end of period	\$7,028,747	\$6,528,462

In connection with the acquisition of Cerro Blanco and Mita Geothermal, the Company has estimated the present value of future rehabilitation costs required to remediate the properties based on their current state. The Company did not have any rehabilitation provisions prior to the acquisition of Cerro Blanco and Mita Geothermal.

Although the ultimate amount of the rehabilitation liability is uncertain, the best estimate of these obligations is based on information currently available. Significant closure activities include land rehabilitation, equipment removal, demolition of buildings and other costs.

The revision in the estimated cash flows during the six months ended June 30, 2018 was due to additional disturbance at Mita Geothermal from flow-testing activities.

The total amount of estimated undiscounted cash flows required to settle the Company's estimated obligation as at June 30, 2018 is \$7,651,742 (December 31, 2017 - \$7,143,633). The calculation of present value of estimated future cash flows assumed a discount rate of 2.94% and an inflation rate of 4%. The liabilities are expected to be settled at various dates which are currently expected to extend from 2020 to 2022.

8. Share Capital

As at June 30, 2018, the Company's authorized share capital consisted of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

On May 24, 2017, the Company completed a 5 old for 1 new common share consolidation. All share and per share information in these condensed interim consolidated financial statements have been restated to retroactively reflect the effects of this consolidation.

a) Private placements and limited recourse loans

During February and March of 2017, the Company received gross proceeds of \$2,833,623 in convertible loans. On June 20, 2017, the loans were converted into 2,552,699 units, with each unit consisting of one common share of the Company and half of a warrant (note 8(b)) of the Company. Each whole warrant is exercisable at C\$2.00 per share for a period of two years. The value attributed to the common shares was \$2,307,971 based on the fair value allocation between the common shares and the warrants (note 8(b)). The convertible loans are included in private placements during the thirteen months ended December 31, 2017 as they automatically converted to common shares on the conversion of the convertible notes.

In connection with the Acquisition, the Company completed a private placement pursuant to which the Company issued 53,333,333 subscription receipts at a price of C\$1.50 per subscription receipt for gross proceeds of \$59,202,842 (C\$80,000,000), with each subscription receipt entitling the holder thereof to receive one common share of the Company. On June 20, 2017, the subscription receipts were automatically converted and the underlying common shares of the Company were issued.

In June 2017, the Company issued 500,000 common shares to certain employees with a fair value of \$565,312 (C\$750,000) in connection with limited recourse loans (note 10(b)). During the three and six months ended June 30, 2018, the Company recognized share-based compensation expense of \$48,414 and \$97,840 (three and six months ended May 31, 2017 - both \$nil), respectively, in the condensed interim consolidated statement of loss relating to the limited recourse loans.

8. Share Capital (cont'd)

b) Warrants

The changes in warrants outstanding during the six months ended June 30, 2018 and thirteen months ended December 31, 2017 are as follows:

	June 30, 2018		December 31, 2017	
	Number of warrants	Weighted avg. exercise price (C\$/warrant)	Number of warrants	Weighted avg. exercise price (C\$/warrant)
Outstanding, beginning of period	5,214,309	\$0.84	3,850,376	\$0.61
Issued	—	—	1,535,147	2.00
Exercised	(25,000)	0.35	(67,414)	0.35
Expired	—	—	(103,800)	10.00
Outstanding, end of period	5,189,309	\$0.84	5,214,309	\$0.84

As at June 30, 2018, the following warrants were outstanding:

Expiry date	Weighted avg. exercise price (C\$/warrant)	Number of warrants	Weighted avg. remaining contractual life in years
May 31, 2019	\$2.00	258,805	0.92
June 20, 2019	2.00	1,276,342	0.97
June 2, 2020	0.35	596,000	1.93
June 4, 2020	0.35	2,313,920	1.93
July 7, 2020	0.35	744,242	2.02
	\$0.84	5,189,309	1.66

c) Special warrants

As partial consideration for the Acquisition, the Company issued 3,099,160 Special Warrants to Goldcorp entitling Goldcorp to acquire 3,099,160 common shares of the Company for no further consideration or action. The fair value of the Special Warrants was determined to be \$3,440,198 based on the concurrent subscription receipt financing price of C\$1.50/common share. The Special Warrants were all automatically exercised on June 20, 2017.

Bluestone Resources Inc.
Notes for the Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2018
(Expressed in United States dollars - Unaudited)

8. Share Capital (cont'd)

d) Stock options

The changes in stock options outstanding during the six months ended June 30, 2018 and thirteen months ended December 31, 2017 are as follows:

	June 30, 2018		December 31, 2017	
	Number of options	Weighted avg. exercise price (C\$/option)	Number of options	Weighted avg. exercise price (C\$/option)
Outstanding, beginning of period	4,935,000	\$1.50	—	\$—
Granted	995,000	1.50	4,935,000	1.50
Outstanding, end of period	5,930,000	\$1.50	4,935,000	\$1.50

2,467,500 of the stock options outstanding as at June 30, 2018 are exercisable at a weighted average exercise price of C\$1.50 per option.

The weighted average fair value of the stock options granted during the six months ended June 30, 2018 was estimated to be C\$0.36 per stock option using the Black-Scholes option pricing model with the following weighted average assumptions: Risk-free rate – 1.71%, volatility – 66.07%, dividend yield – 0%, expected life – 2.13 years. The stock options granted during the six months ended June 30, 2018 expire on January 2, 2021 and January 28, 2021.

During the three and six months ended June 30, 2018, the Company recognized share-based compensation expense of \$400,562 and \$819,129 (three and six months ended May 31, 2017 - both \$nil), respectively, in the condensed interim consolidated statement of loss relating to the stock options.

9. Exploration and Evaluation Expenses

Exploration and evaluation expenses for the three and six months ended June 30, 2018 and May 31, 2017 were for the following:

	Three Months Ended June 30, 2018	Three Months Ended May 31, 2017	Six Months Ended June 30, 2018	Six Months Ended May 31, 2017
Cerro Blanco operating expenditures	\$1,881,071	\$—	\$3,822,754	\$—
Feasibility study	2,308,951	—	4,106,284	—
Corporate social responsibility and community relations	526,318	—	787,788	—
Geothermal	260,023	—	475,959	—
Underground development	30,329	—	160,093	—
Depreciation (note 5)	68,588	—	141,805	—
Change in rehabilitation provision estimates (note 7)	—	—	400,785	—
	\$5,075,280	\$—	\$9,895,468	\$—

10. Related Party Transactions

a) Key management compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. The remuneration of key management personnel included in the condensed interim consolidated statements of loss and comprehensive loss was as follows:

	Three Months Ended June 30, 2018	Three Months Ended May 31, 2017	Six Months Ended June 30, 2018	Six Months Ended May 31, 2017
Wages and consulting	\$668,661	\$88,003	\$1,065,731	\$221,751
Share-based compensation	388,711	—	796,205	—
	\$1,057,372	\$88,003	\$1,861,936	\$221,751

b) Limited recourse loans

In June 2017, the Company issued 500,000 common shares with a fair value of C\$750,000 to certain employees. 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.

11. Financial Instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

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

Level 3: Inputs that are not based on observable market data.

The fair values of the Company's cash and cash equivalents, accounts receivable, restricted cash and trade and other payables approximate their carrying values, which are the amounts recorded on the consolidated statement of financial position due to their short-term nature.

12. Financial Risk Management

a) Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents, restricted cash and accounts receivable. Management believes that the credit risk concentration with respect to these financial instruments is remote as the balances primarily consist of amounts on deposit with a major financial institution and amounts receivable from the Government of Canada. The maximum exposure to credit risk as at June 30, 2018 was \$19,370,358 (December 31, 2017 - \$32,204,707).

b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2018, the Company had a cash balance of \$17,514,621 (December 31, 2017 - \$30,221,102) to settle current liabilities of \$2,087,126 (December 31, 2017 - \$1,910,930). All of the Company's financial liabilities are subject to normal trade terms.

c) Market risk

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

Interest rate risk

The Company has cash balances and non-interest bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

As at June 30, 2018, the weighted average interest rate earned on our cash and cash equivalents was 1.63%. With other variables unchanged, a 1% change in the annualized interest rate at June 30, 2018 would impact after-tax net loss by approximately \$174,000.

Foreign currency risk

The Company is exposed to foreign currency risk in connection with its Canadian dollar and Guatemala quetzal denominated financial instruments. A 10% fluctuation in the C\$/US\$ rate as at June 30, 2018 would result in an approximate \$167,000 increase/decrease in comprehensive loss. A 10% fluctuation in the US\$/Guatemala quetzal rate as at June 30, 2018 would result in an approximate \$53,000 increase/decrease in comprehensive loss.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of resources, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

12. Financial Risk Management (cont'd)

d) Capital Management

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

There were no changes to the Company's approach to capital management during the six months ended June 30, 2018. The Company is not subject to externally imposed capital requirements.

13. Supplemental Cash Flow Information

Cash and cash equivalents includes short-term investments of \$9,651,400 as at June 30, 2018 (December 31, 2017 - \$23,172,329).

Other supplemental cash flow information for the six months ended June 30, 2018 and May 31, 2017 are as follows:

	Six Months Ended June 30, 2018	Six Months Ended May 31, 2017
Non-cash transfer of reserve on exercise of warrants	\$2,774	\$—
Income taxes paid	11,117	—
Deferred financing costs included in accounts payable	—	380,755