

# **Bluestone** **RESOURCES INC.**

## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the Three Months Ended March 31, 2019 and 2018**

**(Unaudited)**

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

	Notes	March 31, 2019	December 31, 2018
<b>Current assets</b>			
Cash and cash equivalents		\$16,470,217	\$6,672,318
Accounts receivable		78,369	97,506
Prepaid expenses		113,113	174,075
Inventory		114,104	130,811
		<b>16,775,803</b>	7,074,710
<b>Non-current assets</b>			
Restricted cash		1,762,372	1,751,357
Property, plant and equipment	3	5,454,016	5,302,876
Exploration and evaluation assets		30,126,433	30,126,433
<b>Total assets</b>		<b>\$54,118,624</b>	<b>\$44,255,376</b>
<b>Current liabilities</b>			
Trade and other payables	4	\$1,555,118	\$2,647,630
		<b>1,555,118</b>	2,647,630
<b>Non-current liabilities</b>			
Lease liabilities	4	113,731	—
Rehabilitation provisions	5	7,176,908	7,127,797
Deferred income tax liabilities		1,629,653	1,996,412
<b>Total liabilities</b>		<b>10,475,410</b>	11,771,839
<b>Shareholders' equity</b>			
Share capital	6	95,935,389	81,396,001
Reserves		12,120,990	10,404,099
Accumulated other comprehensive income		4,313,448	4,234,556
Deficit		(68,726,613)	(63,551,119)
<b>Total shareholders' equity</b>		<b>43,643,214</b>	32,483,537
<b>Total liabilities and shareholders' equity</b>		<b>\$54,118,624</b>	<b>\$44,255,376</b>

Nature of operations and going concern (note 1)  
Event after the reporting date (note 12)

**Approved on May 23, 2019 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 March 31, 2019	Three Months Ended March 31, 2018
<b>Expenses</b>			
Accounting and legal		\$127,062	\$139,066
Advertising and promotion		395,967	90,686
Corporate listing and filing fees		26,442	14,649
Exploration and evaluation expenses	7	3,487,176	4,818,251
Office and administration		177,308	299,323
Share-based compensation	6	361,746	467,993
Wages and consulting fees		712,479	569,941
		<b>(5,288,180)</b>	<b>(6,399,909)</b>
Interest income		51,985	119,120
Finance expenses		(32,579)	—
Accretion expense	5	(49,111)	(48,096)
Other income		—	10,923
Foreign exchange (loss) gain		(217,767)	554,452
<b>Loss before income tax</b>		<b>(5,535,652)</b>	<b>(5,763,510)</b>
Income tax recovery (expense)		360,158	(1,937)
<b>Net loss</b>		<b>(5,175,494)</b>	<b>(5,765,447)</b>
Translation adjustment		78,892	(721,951)
<b>Comprehensive loss</b>		<b>(\$5,096,602)</b>	<b>(\$6,487,398)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>		<b>66,239,292</b>	<b>63,828,338</b>
<b>Basic and diluted loss per common share</b>		<b>(\$0.08)</b>	<b>(\$0.09)</b>

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)

	Notes	Share capital		Reserves	Accumulated other comprehensive income	Deficit	Total shareholders' equity
		Shares	Amount				
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	6	—	49,427	418,566	—	—	467,993
Exercise of warrants	6	25,000	9,719	(2,774)	—	—	6,945
Loss for the period		—	—	—	(721,951)	(5,765,447)	(6,487,398)
<b>Balance, March 31, 2018</b>		<b>63,840,560</b>	<b>\$81,252,458</b>	<b>\$9,569,855</b>	<b>\$4,811,141</b>	<b>(\$43,721,182)</b>	<b>\$51,912,272</b>
Balance, January 1, 2019		63,840,560	\$81,396,001	\$10,404,099	\$4,234,556	(\$63,551,119)	\$32,483,537
Private placement	6	<b>17,941,321</b>	<b>14,488,593</b>	<b>1,403,278</b>	—	—	<b>15,891,871</b>
Share-based compensation	6	—	<b>47,022</b>	<b>314,724</b>	—	—	<b>361,746</b>
Exercise of warrants	6	<b>10,000</b>	<b>3,773</b>	<b>(1,111)</b>	—	—	<b>2,662</b>
Income (loss) for the period		—	—	—	<b>78,892</b>	<b>(5,175,494)</b>	<b>(5,096,602)</b>
<b>Balance, March 31, 2019</b>		<b>81,791,881</b>	<b>\$95,935,389</b>	<b>\$12,120,990</b>	<b>\$4,313,448</b>	<b>(\$68,726,613)</b>	<b>\$43,643,214</b>

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	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
<b>Cash flows used in operating activities</b>			
Net loss for the period		(\$5,175,494)	(\$5,765,447)
Accretion expense	5	49,111	48,096
Depreciation	3	104,456	73,218
Share-based compensation	6	361,746	467,993
Change in restoration provision estimate	5	—	400,785
Interest income		(44,620)	(89,093)
Other income		—	(12,491)
Income tax (recovery) expense		(360,501)	1,937
Non-cash foreign exchange loss (gain)		88,924	(938,973)
Changes in non-cash working capital:			
Accounts receivable		21,144	124,759
Prepaid expenses		64,912	120,595
Inventory		16,707	21,131
Trade and other payables		(956,747)	10,416
<b>Cash (used) in operating activities</b>		<b>(5,830,362)</b>	<b>(5,537,074)</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		(220,202)	(159,280)
Increase in restricted cash		—	(77,815)
Interest received		44,620	89,093
<b>Cash (used) in investing activities</b>		<b>(175,582)</b>	<b>(148,002)</b>
<b>Cash flows from financing activities</b>			
Proceeds from private placements	6	16,872,293	—
Private placement fees	6	(980,422)	—
Lease principal repayments		(13,860)	—
Proceeds from exercise of warrants	6	2,662	6,945
<b>Cash generated by financing activities</b>		<b>15,880,673</b>	<b>6,945</b>
Effects of foreign exchange rate changes on cash and cash equivalents		(76,830)	257,323
<b>Increase (decrease) in cash and cash equivalents</b>		<b>9,797,899</b>	<b>(5,420,808)</b>
Cash and cash equivalents, beginning of the period		6,672,318	30,221,102
<b>Cash and cash equivalents, end of the period</b>		<b>\$16,470,217</b>	<b>\$24,800,294</b>

Supplemental cash flow information (note 11)

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, trading under the symbol 'BSR', and on the OTCQB, trading under the symbol 'BBSRF'.

**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 \$15,220,685 as at March 31, 2019. Within the next twelve months, Bluestone's objectives center on the advancement of Cerro Blanco. 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, 2018.

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 May 23, 2019.

Certain comparative balances have been reclassified in order to conform to current period presentation.

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) Change in accounting policy – IFRS 16, *Leases* ("IFRS 16")

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach, and therefore, the comparative information has not been restated and continues to be reported under IAS 17, *Leases* and IFRIC 4, *Determining whether an arrangement contains a lease*. IFRS 16 provides a single lessee accounting model, requiring lessees to recognize a right-of-use ("ROU") asset and a lease obligation at the lease commencement date.

*Accounting policy applicable from January 1, 2019*

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

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

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

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

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

*Transition to IFRS 16*

The Company previously classified leases as operating, or finance leases based on the Company's assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset. The Company did not have any finance leases in the comparative periods.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. ROU assets were measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

The Company has elected to apply the practical expedient to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of twelve months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

An incremental ROU asset and lease liability of \$199,666 was recorded as of January 1, 2019, with no net impact on deficit. When measuring the lease liability, the Company discounted lease payments using the incremental borrowing rate of 4.29% at January 1, 2019.

The following table reconciles the Company's operating lease commitments at December 31, 2018, as previously disclosed in the Company's annual audited consolidated financial statements, to the lease liability recognized on initial application of IFRS 16 on January 1, 2019:

Operating lease commitments - December 31, 2018	\$347,880
IFRS 16 recognition exemption - Short-term leases	(13,017)
Effect of discounting using the incremental borrowing rate - January 1, 2019	(135,197)
<b>Lease liability recognized on adoption of IFRS 16 - January 1, 2019</b>	<b>\$199,666</b>

For presentation on the consolidated statement of financial position, the current portion of the lease liability was classified within trade and other payables and the non-current portion was in non-current lease liability. The ROU asset was included within property, plant and equipment.

**c) 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 months ended March 31, 2019 are consistent with those applied and disclosed in note 2(q) to the Company's audited consolidated financial statements for the year ended December 31, 2018.



**Bluestone Resources Inc.**  
**Notes for the Condensed Interim Consolidated Financial Statements**  
**For the three months ended March 31, 2019**  
(Expressed in United States dollars - Unaudited)

**3. Property, Plant and Equipment**

	March 31, 2019			
	Land	Plant and equipment <sup>(1)</sup>	ROU asset <sup>(2)</sup>	Total
<b>Cost</b>				
Balance, January 1, 2019	\$907,858	\$4,841,105	\$—	\$5,748,963
Adoption of IFRS 16 on January 1, 2019	—	—	199,666	199,666
Additions	—	50,423	—	50,423
Translation differences	—	1,222	4,285	5,507
<b>Balance, March 31, 2019</b>	<b>907,858</b>	<b>4,892,750</b>	<b>203,951</b>	<b>6,004,559</b>
<b>Accumulated depreciation</b>				
Balance, January 1, 2019	—	(446,087)	—	(446,087)
Charge for the period	—	(82,500)	(21,956)	(104,456)
<b>Balance, March 31, 2019</b>	<b>—</b>	<b>(528,587)</b>	<b>(21,956)</b>	<b>(550,543)</b>
<b>Net book value at March 31, 2019</b>	<b>\$907,858</b>	<b>\$4,364,163</b>	<b>\$181,995</b>	<b>\$5,454,016</b>

	December 31, 2018		
	Land	Plant and equipment <sup>(1)</sup>	Total
<b>Cost</b>			
Balance, January 1, 2018	\$907,858	\$2,987,668	\$3,895,526
Additions	—	1,943,443	1,943,443
Disposals	—	(87,478)	(87,478)
Translation differences	—	(2,528)	(2,528)
<b>Balance, December 31, 2018</b>	<b>907,858</b>	<b>4,841,105</b>	<b>5,748,963</b>
<b>Accumulated depreciation</b>			
Balance, January 1, 2018	—	(231,001)	(231,001)
Charge for the period	—	(302,564)	(302,564)
Disposals	—	87,478	87,478
<b>Balance, December 31, 2018</b>	<b>—</b>	<b>(446,087)</b>	<b>(446,087)</b>
<b>Net book value at December 31, 2018</b>	<b>\$907,858</b>	<b>\$4,395,018</b>	<b>\$5,302,876</b>

(1) Includes assets under construction of \$773,944 at March 31, 2019 (December 31, 2018 - \$978,299).

(2) The ROU asset relates to the Company's office lease contract.

**Bluestone Resources Inc.**  
**Notes for the Condensed Interim Consolidated Financial Statements**  
**For the three months ended March 31, 2019**  
(Expressed in United States dollars - Unaudited)

**4. Trade and Other Payables**

	<b>March 31, 2019</b>	December 31, 2018
Trade payables	<b>\$760,901</b>	\$1,387,067
Accrued liabilities	<b>482,445</b>	430,224
Lease liability	<b>190,048</b>	—
Payroll liabilities	<b>233,460</b>	824,875
Income taxes payable	<b>1,995</b>	5,464
	<b>1,668,849</b>	2,647,630
Non-current portion of lease liability	<b>(113,731)</b>	—
<b>Current trade and other payables</b>	<b>\$1,555,118</b>	\$2,647,630

**a) Lease liability**

As at March 31, 2019, the Company's lease liability consisted of the following:

	<b>March 31, 2019</b>
Minimum lease payments:	
1 year	<b>\$157,779</b>
2-3 years	<b>144,631</b>
Undiscounted lease liability	<b>302,410</b>
Future interest expense on lease liability	<b>(112,362)</b>
<b>Lease liability</b>	<b>\$190,048</b>

For the three months ended March 31, 2019, interest expense of \$25,796 on the lease liability was included in finance expenses in the condensed interim consolidated statement of loss. Total cash payments on leases for the three months ended March 31, 2019 was \$67,881, which included \$28,225 for short-term leases.

Variable lease payments not included in the measurement of lease liabilities were \$nil as at March 31, 2019. There were no extension options, which were reasonably certain to be exercised, included in the measurement of the lease liability. As at March 31, 2019, there were no leases with residual value guarantees or leases not yet commenced to which the Company is committed.

**Bluestone Resources Inc.**  
**Notes for the Condensed Interim Consolidated Financial Statements**  
**For the three months ended March 31, 2019**  
(Expressed in United States dollars - Unaudited)

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**5. Rehabilitation Provisions**

The changes in the close down and restoration provision during the three months ended March 31, 2019 and the year ended December 31, 2018 were as follows:

	<b>March 31, 2019</b>	December 31, 2018
Balance, beginning of period	<b>\$7,127,797</b>	\$6,528,462
Accretion (unwinding of discount)	<b>49,111</b>	203,447
Change in estimates and rates	—	395,888
<b>Balance, end of period</b>	<b>\$7,176,908</b>	<b>\$7,127,797</b>

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

The total amount of estimated undiscounted cash flows required to settle the Company's estimated obligation as at March 31, 2019 is \$7,770,681 (December 31, 2018 - \$7,770,681). The calculation of present value of estimated future cash flows assumed a discount rate of 2.75% (December 31, 2018 - 2.75%) and an inflation rate of 4% (December 31, 2018 - 4%). The liabilities are expected to be settled at various dates which are currently expected to extend from 2021 to 2023.

**6. Share Capital**

As at March 31, 2019, 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.

**a) Private placements and limited recourse loans**

On March 19, 2019, the Company completed a bought deal private placement (the "Private Placement") pursuant to which the Company issued 17,941,321 units, with each unit consisting of one common share of the Company and one-half of one common share purchase warrant, and received gross proceeds of \$16,872,293 (C\$22,426,651). 17,941,321 common shares were issued at C\$1.25 per unit. Each whole warrant is exercisable at C\$1.65 for a period of two years. The value attributed to the common shares was \$15,382,442 based on the fair value allocation between the common shares and warrants (note 6(b)). The Company incurred \$980,422 in fees in connection with the Private Placement during the three months ended March 31, 2019.

During the three months ended March 31, 2019, the Company recognized share-based compensation expense of \$47,022 (three months ended March 31, 2018 - \$49,427) in the condensed interim consolidated statement of loss relating to the limited recourse loans previously issued to certain employees.

**Bluestone Resources Inc.**  
**Notes for the Condensed Interim Consolidated Financial Statements**  
**For the three months ended March 31, 2019**  
(Expressed in United States dollars - Unaudited)

**6. Share Capital (cont'd)**

**b) Warrants**

The changes in warrants outstanding during the three months ended March 31, 2019 and year ended December 31, 2018 are as follows:

	<b>March 31, 2019</b>		<b>December 31, 2018</b>	
	<b>Number of warrants</b>	<b>Weighted avg. exercise price (C\$/warrant)</b>	<b>Number of warrants</b>	<b>Weighted avg. exercise price (C\$/warrant)</b>
Outstanding, beginning of period	<b>5,189,309</b>	<b>\$0.84</b>	5,214,309	\$0.84
Issued	<b>8,970,652</b>	<b>1.65</b>	—	—
Exercised	<b>(10,000)</b>	<b>0.35</b>	(25,000)	0.35
<b>Outstanding, end of period</b>	<b>14,149,961</b>	<b>\$1.35</b>	5,189,309	\$0.84

As at March 31, 2019, the following warrants were outstanding:

<b>Expiry date</b>	<b>Weighted avg. exercise price (C\$/warrant)</b>	<b>Number of warrants</b>	<b>Weighted avg. remaining contractual life in years</b>
May 31, 2019	\$2.00	258,805	0.17
June 20, 2019	2.00	1,276,342	0.22
June 2, 2020	0.35	596,000	1.18
June 4, 2020	0.35	2,313,920	1.18
July 7, 2020	0.35	734,242	1.27
March 19, 2021	1.65	8,970,652	1.97
	<b>\$1.35</b>	<b>14,149,961</b>	<b>1.58</b>

The fair value of \$1,489,850 for the warrants issued for the Private Placement was estimated using the Black-Scholes option pricing model with the following assumptions: Risk-free rate - 1.64%, volatility - 50%, dividend yield - 0%, expected life - 2 years.

**Bluestone Resources Inc.**  
**Notes for the Condensed Interim Consolidated Financial Statements**  
**For the three months ended March 31, 2019**  
(Expressed in United States dollars - Unaudited)

**6. Share Capital (cont'd)**

**c) Stock options**

The changes in stock options outstanding during the three months ended March 31, 2019 and year ended December 31, 2018 are as follows:

	March 31, 2019		December 31, 2018	
	Number of options	Weighted avg. exercise price (C\$/option)	Number of options	Weighted avg. exercise price (C\$/option)
Outstanding, beginning of period	5,930,000	\$1.50	4,935,000	\$1.50
Granted	2,305,000	1.27	995,000	1.50
Cancelled/forfeited	(400,000)	(1.50)	—	—
<b>Outstanding, end of period</b>	<b>7,835,000</b>	<b>\$1.43</b>	<b>5,930,000</b>	<b>\$1.50</b>

4,640,413 of the stock options outstanding as at March 31, 2019 are exercisable at a weighted average exercise price of C\$1.46 per option.

The weighted average fair value of the stock options granted during the three months ended March 31, 2019 (year ended December 31, 2018) was estimated to be C\$0.43 (C\$0.36) per stock option using the Black-Scholes option pricing model with the following weighted average assumptions: Risk-free rate - 1.68% (1.71%), volatility - 50.00% (66.07%), dividend yield - 0% (0%), expected life - 2.90 years (2.13 years). The stock options granted during the three months ended March 31, 2019 expire on January 30, 2022 and March 21, 2024.

During the three months ended March 31, 2019, the Company recognized share-based compensation expense of \$314,724 (three months ended March 31, 2018 - \$418,566) in the condensed interim consolidated statement of loss relating to the stock options.

**7. Exploration and Evaluation Expenses**

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Cerro Blanco operating expenditures	\$2,877,529	\$1,335,517
Feasibility study and pre-development	305,340	1,797,333
Corporate social responsibility and community relations	167,653	261,470
Geothermal	34,002	949,928
Depreciation	77,018	73,218
Mohave expenditures	25,634	—
Change in rehabilitation provision estimates (note 5)	—	400,785
	<b>\$3,487,176</b>	<b>\$4,818,251</b>

**Bluestone Resources Inc.**  
**Notes for the Condensed Interim Consolidated Financial Statements**  
**For the three months ended March 31, 2019**  
(Expressed in United States dollars - Unaudited)

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**8. Related Party Transactions - 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:

	<b>Three Months Ended March 31, 2019</b>	Three Months Ended March 31, 2018
Wages and consulting	<b>\$492,817</b>	\$397,070
Share-based compensation	<b>289,115</b>	407,494
	<b>\$781,932</b>	\$804,564

**9. 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 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.

## 10. 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 March 31, 2019 was \$18,310,958 (December 31, 2018 - \$8,521,181).

### 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 March 31, 2019, the Company had a cash balance of \$16,470,217 (December 31, 2018 - \$6,672,318) to settle current liabilities of \$1,555,118 (December 31, 2018 - \$2,647,630). 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'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 March 31, 2019, the weighted average interest rate earned on our cash and cash equivalents was 2.20%. With other variables unchanged, a 1% change in the annualized interest rate at March 31, 2019 would impact after-tax net loss by approximately \$163,000.

#### 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 March 31, 2019 would result in an approximate \$1,186,000 increase/decrease in comprehensive loss. A 10% fluctuation in the US\$/Guatemala quetzal rate as at March 31, 2019 would result in an approximate \$25,000 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.

**10. 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 three months ended March 31, 2019. The Company is not subject to externally imposed capital requirements.

**11. Supplemental Cash Flow Information**

Cash and cash equivalents includes no short-term investments as at March 31, 2019 and December 31, 2018.

Other supplemental cash flow information for the three months ended March 31, 2019 and March 31, 2018 is as follows:

	<b>Three Months Ended March 31, 2019</b>	Three Months Ended March 31, 2018
Fair value of warrants issued from the Private Placement	<b>\$1,403,278</b>	\$—
Non-cash transfer of reserve on exercise of warrants	<b>(1,111)</b>	(2,774)
Income taxes paid	<b>9,722</b>	5,815

**12. Event After the Reporting Date**

On May 21, 2019, the Company closed a share purchase agreement with Dunnedin Ventures Inc. ("Dunnedin") wherein Dunnedin has acquired a 100% interest in the Company's Mohave Copper Porphyry project ("Mohave"), located in north-western Arizona, USA. The consideration for Mohave consists of:

- C\$50,000 in cash and C\$100,000 in Dunnedin shares ("Shares");
- 500,000 Shares upon the public disclosure of a National Instrument 43-101 compliant resource for Mohave;
- 500,000 Shares upon the public disclosure of a preliminary economic analysis for Mohave;
- 500,000 Shares upon the public disclosure of a pre-feasibility or more advanced study for Mohave; and
- A 0.5% net smelter returns royalty on the Mohave claims and on a 2 km area of interest around the Mohave claims.