

BLUESTONE RESOURCES INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR
THE THREE MONTHS ENDED MARCH 31, 2019**

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Bluestone Resources Inc. ("Bluestone" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three months ended March 31, 2019. The MD&A was prepared as of May 23, 2019 and should be read with the condensed interim consolidated financial statements and related notes for the three months ended March 31, 2019, 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 Accounting Standard 34, *Interim Financial Reporting* of International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

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., Vice President Operations, and David Cass, P.Geo., Vice President Exploration, both Qualified Persons as defined by National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101").

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'.

Highlights for the Three Months Ended March 31, 2019

- 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 \$16.9 million (C\$22.4 million).
- 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.
- The Company announced Cerro Blanco infill drilling results on January 9, January 24, February 7, February 27 and March 21, 2019. Of special note is that the 201 g/t Au high grade assay over 1.0 meter, intercepted in drill hole UGCB19-119, is approximately 20 meters outside the current resource model and is a good example of the potential to define new resources by drill definition of the extensions to known veins, in addition to the conversion of the Inferred Mineral Resources.
- The Company had cash and cash equivalents of \$16.5 million at March 31, 2019.

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.

Feasibility study

On January 29, 2019, the Company announced the results of the Feasibility Study. Highlights from the Feasibility Study, with base case completed at a gold price of \$1,250/oz and a silver price of \$18/oz, 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.
- LOM production of approximately 902,000 ounces of gold 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.

Infill drilling program

The Company initiated an infill drilling program in November 2018. Results from the drilling continue to validate the belief in the exploration and growth potential of Cerro Blanco. Of special note is that the 201 g/t Au high grade assay (announced on March 21, 2019) intercepted in drill hole UGCB19-119 is approximately 20 meters outside the current resource model and is a good example of the potential to define new resources by drill definition of the extensions to known veins, in addition to the conversion of the Inferred Mineral Resources.

Select infill drill result highlights include the following (true widths):

- 16.3 g/t Au and 15.1 g/t Ag over 3.0 m (CB18-409), announced January 9, 2019.
- 86.1 g/t Au and 963 g/t Ag over 2.4 m (UGCB19-119), announced March 21, 2019.
- 19.9 g/t Au and 281.0 g/t Ag over 5.6 m (UGCB19-124), announced April 3, 2019.
- 13.1 g/t Au and 25.0 g/t Ag over 10.2 m (UGCB19-126), announced April 3, 2019.

Project enhancement opportunities

Several opportunities have been identified to further enhance the Cerro Blanco economics and optimize the engineering. The Company intends to focus on the following opportunities over the next six months in parallel with project financing initiatives:

- Infill drilling program focused on converting a portion of the 360,000 ounces of Inferred Mineral Resources to Measured and Indicated Mineral Resources.
- Potential resource growth from step-out drilling along existing veins that extend beyond the current resource envelope (currently ongoing).
- Identification of new high-grade veins during infill drilling program underway as illustrated in the press release dated January 9, 2019.

Project Development Updates (cont'd)

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.

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. On May 21, 2019 the Company closed a share purchase agreement with Dunnedin Ventures Inc. ("Dunnedin") wherein Dunnedin has acquired a 100% interest in Mohave. 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 NI 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.

Results of Operations for the Three Months Ended March 31, 2019 Compared to the Three Months Ended March 31, 2018

The Company's net loss for the three months ended March 31, 2019 totaled \$5,175,494 or \$0.08 per share as compared to a net loss of \$5,765,447 or \$0.09 per share for the three months ended March 31, 2018. Significant expenditures and variances are as follows:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018	(Increase) Decrease in Net Loss
Accounting and legal	\$127,062	\$139,066	\$12,004
Advertising and promotion ⁽¹⁾	395,967	90,686	(305,281)
Corporate listing and filing fees	26,442	14,649	(11,793)
Exploration and evaluation expenses ⁽²⁾	3,487,176	4,818,251	1,331,075
Office and administration	177,308	299,323	122,015
Share-based compensation	361,746	467,993	106,247
Wages and consulting fees	712,479	569,941	(142,538)
Total expenses	(5,288,180)	(6,399,909)	1,111,729
Interest income	51,985	119,120	(67,135)
Finance expenses	(32,579)	—	(32,579)
Accretion expense	(49,111)	(48,096)	(1,015)
Other income	—	10,923	(10,923)
Foreign exchange (loss) gain	(217,767)	554,452	(772,219)
Loss before income tax	(5,535,652)	(5,763,510)	227,858
Income tax recovery (expense)	360,158	(1,937)	362,095
Net loss	(\$5,175,494)	(\$5,765,447)	\$589,953

⁽¹⁾ Advertising and promotion increased during the three months ended March 31, 2019 compared to the three months ended March 31, 2018 due to marketing in relation to the Private Placement and completion of the Feasibility Study.

⁽²⁾ Exploration and evaluation expenses for the three months ended March 31, 2019 were for the following:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Cerro Blanco operating expenditures ⁽³⁾	\$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 ⁽⁴⁾	—	400,785
	\$3,487,176	\$4,818,251

⁽³⁾ Increase in Cerro Blanco operating expenditures for the three months ended March 31, 2019 compared to the three months ended March 31, 2018 is due to increased drilling activities as discussed in "Project Development Updates".

⁽⁴⁾ Exploration and evaluation expenses during the three months ended March 31, 2018 included \$400,785 relating to a change in the estimated rehabilitation provision for Mita Geothermal.

Summary of Quarterly Results

The following table summarizes selected financial data reported by the Company for the three months ended March 31, 2019 and the previous seven quarters.

	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	August 31, 2017 ⁽¹⁾	May 31, 2017 ⁽¹⁾
Current assets	\$16,775,803	\$7,074,710	\$12,231,523	\$17,955,048	\$25,131,880	\$30,829,406	\$35,816,517	\$41,367,847
Property, plant and equipment	5,454,016	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	30,126,433
Total assets	54,118,624	44,255,376	49,450,151	55,030,177	60,817,390	66,364,124	70,308,596	74,608,832
Current liabilities	1,555,118	2,647,630	2,029,482	2,087,126	1,927,775	1,910,930	568,872	878,599
Working capital	15,220,685	4,427,080	10,202,041	15,867,922	23,204,105	28,918,476	35,247,645	40,489,248
Net loss	(5,175,494)	(7,631,841)	(6,101,735)	(6,096,361)	(5,765,447)	(5,756,945)	(2,254,475)	(152,641)
Basic and diluted loss per share	(0.08)	(0.12)	(0.10)	(0.10)	(0.09)	(0.09)	(0.04)	(0.04)
Weighted avg. shares outstanding	66,239,292	63,840,560	63,840,560	63,840,560	63,828,338	63,815,560	50,852,838	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 twelve months ended December 31, 2017.

The Company completed private placement financings in March 2019 and June 2017, which resulted in increases to share capital. Quarterly results following the acquisition of Cerro Blanco and Mita Geothermal in May 2017 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.

Liquidity and Capital Resources

Cash increased by \$9,797,899 during the three months ended March 31, 2019 from \$6,672,318 as at December 31, 2018 to \$16,470,217 as at March 31, 2019. Cash utilized in operating activities during the three months ended March 31, 2019 was \$5,830,362 (three months ended March 31, 2018 - \$5,537,074). Cash utilized in investing activities during the three months ended March 31, 2019 was \$175,582 (three months ended March 31, 2018 - \$148,002), mainly for purchases of equipment. During the three months ended March 31, 2019, the Company generated cash from financing activities of \$15,880,673, mainly from the Private Placement, compared to \$6,945 during the three months ended March 31, 2018.

As at March 31, 2019, share capital was \$95,935,389 and was comprised of 81,791,881 issued and outstanding common shares (December 31, 2018 - \$81,396,001 comprised of 63,840,560 shares outstanding). The increase in outstanding common shares during the three months ended March 31, 2019 was the result of the Private Placement. Reserves, which increased from the Private Placement and recognition of the fair value of stock options, were \$12,120,990 (December 31, 2018 - \$10,404,099). As a result of the net loss for the three months ended March 31, 2019, the deficit at March 31, 2019 increased to \$68,726,613 from \$63,551,119 at December 31, 2018. Accordingly, shareholders' equity on March 31, 2019 was \$43,643,214 compared to \$32,483,537 at December 31, 2018.

On March 19, 2019, the Company completed 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 Company incurred \$980,422 in fees in connection with the Private Placement during the three months ended March 31, 2019.

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. 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.

As at March 31, 2019, the Company has working capital of \$15,220,685, which is sufficient to meet the Company's commitments and foreseeable corporate needs, including expenditures required to maintain properties and agreements in good standing.

Risks and Uncertainties

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

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

An analysis of these risks and uncertainties, as they have the potential to impact Bluestone, can be found in Bluestone's MD&A for the twelve months ended December 31, 2018. The risks and uncertainties have not changed from those disclosed in Bluestone's MD&A for the twelve months ended December 31, 2018.

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 May 23, 2019:

	Number of Shares	Exercise Price C\$	Remaining life (years)
Issued and Outstanding Common Shares	81,886,881		
Stock options	7,835,000	1.25 - 1.50	1.08 - 4.83
Warrants	14,054,961	0.35 - 2.00	0.02 - 1.82
Fully diluted at May 23, 2019	103,776,842		

Off Balance Sheet Arrangements

The Company does not utilize off balance sheet arrangements.

Transactions with Related Parties

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 for the three months ended March 31, 2019 was as follows:

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

Financial Instruments and Financial Risk Management

A description of the Company's financial instruments and financial risk management can be found in notes 9 and 10, respectively, of the Company's condensed interim consolidated financial statements for the three months ended March 31, 2019.

Significant Accounting Policies, Estimates and Judgments

A description of the Company's significant accounting policies, estimates and judgments, can be found in note 2, of the Company's audited consolidated financial statements for the year ended December 31, 2018. The Company adopted IFRS 16, *Leases* on January 1, 2019. A description of this can be found in note 2(b) of the Company's condensed interim consolidated financial statements for the three months ended March 31, 2019.

Disclosure of Internal Controls

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence that: (i) the condensed interim consolidated financial statements for the three months ended March 31, 2019 do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, and (ii) the condensed interim consolidated financial statements for the three months ended March 31, 2019 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 May 23, 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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