



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Nine Months Ended September 30, 2023 and 2022

(Unaudited)

Bluestone Resources Inc.**Consolidated Statements of Financial Position**

(Expressed in United States dollars - Unaudited)

	Notes	September 30, 2023	December 31, 2022
Current assets			
Cash and cash equivalents		\$2,378,088	\$1,743,139
Accounts receivable		69,509	207,461
Equity securities		108,367	192,310
Prepaid expenses and other current assets		243,691	231,251
Inventory		93,840	71,026
		2,893,495	2,445,187
Non-current assets			
Restricted cash	3	458,368	1,745,365
Property, plant and equipment	4	22,681,948	23,639,371
Exploration and evaluation asset		30,126,433	30,126,433
Total assets		\$56,160,244	\$57,956,356
Current liabilities			
Trade and other payables	5	\$3,155,382	\$5,161,780
Loan payable	6	12,000,000	6,000,000
		15,155,382	11,161,780
Non-current liabilities			
Other liabilities	5	934,593	1,365,009
Rehabilitation provisions	7	9,413,256	9,319,388
Deferred income tax liabilities		2,139,168	1,565,886
Total liabilities		27,642,399	23,412,063
Shareholders' equity			
Share capital	8	180,352,696	179,878,018
Reserves		12,915,737	12,170,642
Accumulated other comprehensive income		10,893,873	10,934,467
Deficit		(175,644,461)	(168,438,834)
Total shareholders' equity		28,517,845	34,544,293
Total liabilities and shareholders' equity		\$56,160,244	\$57,956,356

Nature of operations and liquidity risk (note 1)

Approved on November 14, 2023, on behalf of the Board of Directors:

"Zara Boldt"

Zara Boldt, Director

"Peter Hemstead"

Peter Hemstead, Director

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

Bluestone Resources Inc.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in United States dollars - Unaudited)

	Notes	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Operating expenses					
Exploration and evaluation expenses	9	\$824,213	\$2,369,306	\$2,954,754	\$13,341,478
General and administration					
Salaries and wages		140,348	730,818	1,027,321	2,150,218
Share-based compensation	8	121,072	204,010	745,095	1,062,488
Office and general		147,394	299,008	538,178	1,066,456
Professional fees		146,129	231,055	301,148	620,065
Corporate listing and filing fees		8,627	14,296	65,234	92,440
Advertising and promotion		2,908	6,792	25,983	123,416
		(1,390,691)	(3,855,285)	(5,657,713)	(18,456,561)
Other income (expenses)					
Interest income		52,367	30,922	125,806	119,400
Finance expenses		(196,072)	(110,061)	(528,748)	(204,890)
Accretion expense		(226,406)	(113,347)	(663,737)	(336,298)
Gain (loss) on disposal of property, plant & equipment		31,405	—	154,113	(102,842)
Foreign exchange loss		(213,991)	(141,271)	(62,066)	(295,309)
Loss before income tax		(1,943,388)	(4,189,042)	(6,632,345)	(19,276,500)
Income tax expense		(299,065)	(1,015,904)	(573,282)	(935,561)
Net loss		(2,242,453)	(5,204,946)	(7,205,627)	(20,212,061)
Other comprehensive (loss) income items that will not be reclassified to net loss:					
Loss on equity securities		(22,568)	(84,580)	(84,699)	(152,259)
Translation adjustment		208,189	103,392	44,105	198,169
Comprehensive loss		(\$2,056,832)	(\$5,186,134)	(\$7,246,221)	(\$20,166,151)
Weighted average number of common shares outstanding – basic and diluted					
		151,464,087	151,164,655	151,359,672	151,000,720
Basic and diluted loss per common share		(\$0.01)	(\$0.03)	(\$0.05)	(\$0.13)

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

Bluestone Resources Inc.
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, 2022		150,358,483	\$178,674,062	\$11,093,459	\$11,260,395	(\$145,745,824)	\$55,282,092
Loan consideration		177,380	275,828	—	—	—	275,828
Share-based compensation	8	—	—	1,062,488	—	—	1,062,488
Exercise of options	8	646,800	849,645	(213,790)	—	—	635,855
Comprehensive income (loss) for the period		—	—	—	45,910	(20,212,061)	(20,166,151)
Balance, September 30, 2022		151,182,663	\$179,799,535	\$11,942,157	\$11,306,305	(\$165,957,885)	\$37,090,112
Balance, January 1, 2023		151,236,141	\$179,878,018	\$12,170,642	\$10,934,467	(\$168,438,834)	\$34,544,293
Loan consideration		320,904	474,678	—	—	—	474,678
Share-based compensation	8	—	—	745,095	—	—	745,095
Comprehensive loss for the period		—	—	—	(40,594)	(7,205,627)	(7,246,221)
Balance, September 30, 2023		151,557,045	\$180,352,696	\$12,915,737	\$10,893,873	(\$175,644,461)	\$28,517,845

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

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

	Notes	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Cash used in operating activities			
Net loss for the period		(\$7,205,627)	(\$20,212,061)
Adjustments for:			
Accretion expense		663,737	336,298
Depreciation	4	207,906	248,050
Share-based compensation	8	745,095	1,062,488
Change in restoration provision estimate	7	(569,527)	—
Interest income		(125,806)	(119,400)
Finance expenses		474,678	41,158
(Gain) loss on disposal of property, plant and equipment		(154,113)	106,732
Income tax expense		573,282	935,561
Non-cash foreign exchange loss		70,552	254,278
Changes in non-cash working capital:			
Accounts receivable		92,149	45,560
Prepaid expenses and other current assets		(12,080)	152,186
Inventory		(22,814)	(2,298)
Trade and other payables		(2,438,570)	(1,551,028)
Cash used in operating activities before income taxes paid		(7,701,138)	(18,702,476)
Income taxes paid		(21,113)	—
Cash used in operating activities		(7,722,251)	(18,702,476)
Cash generated by (used in) investing activities			
Purchase of property, plant and equipment		(272,234)	(2,212,767)
Proceeds from disposal of plant and equipment		1,175,863	—
Proceeds from refund of property, plant and equipment	4	—	767,047
Decrease in restricted cash	3	1,278,833	—
Interest received		172,338	75,371
Cash generated by (used in) investing activities		2,354,800	(1,370,349)
Cash generated by financing activities			
Funds received from Loan	6	6,000,000	3,000,000
Loan fees		—	(40,685)
Proceeds from exercise of options		—	635,855
Cash generated by financing activities		6,000,000	3,595,170
Effects of foreign exchange rate changes on cash		2,400	(120,880)
Increase (decrease) in cash		634,949	(16,598,535)
Cash and cash equivalents, beginning of the period		1,743,139	18,285,126
Cash and cash equivalents, end of the period		\$2,378,088	\$1,686,591

Supplemental cash flow information (note 13)

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

Bluestone Resources Inc.

Notes for the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(Expressed in United States dollars - Unaudited)

1. Nature of Operations and Liquidity Risk

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 Canadian-based precious metals exploration and development company focused on opportunities in Guatemala. The Company's flagship asset is the Cerro Blanco Gold Project ("Cerro Blanco"), a near surface mine development project located in Southern Guatemala in the department of Jutiapa. The Company's head and registered office is located at 2000 - 885 West Georgia Street, Vancouver, BC, V6C 3E8. The Company trades under the symbol "BSR" on the TSX Venture Exchange ("TSXV") and "BBSRF" on the OTCQB.

These condensed interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that it will be able to meet its existing obligations and commitments and fund ongoing operations in the normal course of business for at least twelve months from September 30, 2023. The Company currently has the ability to draw on the loan facility (the "Loan") of \$30,000,000 from related parties (\$12,000,000 drawn at September 30, 2023) until March 11, 2024 (note 6). Thereafter, the Company anticipates the need for further funding to support the advancement of Cerro Blanco and to meet general corporate and working capital requirements. The Company is evaluating potential sources of funding, in addition to drawing on the Loan and obtaining an extension of the maturity of the Loan beyond March 11, 2024. Historically, capital requirements have been primarily funded through the sale of equity instruments, the exercise of convertible securities and drawing from loans from related parties. While management expects these sources of funding to continue to be available to the Company, there can be no assurance that the Company will be successful in securing this funding. Based on the amount of funding raised, the Company's planned initiatives and other work programs may be postponed, or otherwise revised, as necessary.

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 the Company's audited annual consolidated financial statements for the year ended December 31, 2022.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard 34, *Interim financial reporting*. Certain information and note disclosures normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed. The condensed interim consolidated financial statements are based on accounting policies that are consistent with those described in note 2 to the annual consolidated financial statements for the year ended December 31, 2022.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 14, 2023.

For all periods presented, these condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation. A subsidiary is an entity in which the Company has control, directly or indirectly. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Bluestone Resources Inc.

Notes for the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(Expressed in United States dollars - Unaudited)

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

b) Significant accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of judgments and estimates that affect the amounts reported and disclosed in the consolidated financial statements and related notes. These judgments and estimates 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 nine months ended September 30, 2023, 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, 2022.

c) New standards and interpretations adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board. The following was adopted by the Company on January 1, 2023:

- IAS 1 and IFRS Practice Statement 2: In February 2021, the International Accounting Standards Board issued amendments to IAS 1 and the IFRS Practice Statement 2, *Making Materiality Judgements*, to provide guidance on the application of materiality judgments to accounting policy disclosures. The amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Guidance and illustrative examples are added in the Practice Statement to assist in the application of materiality concept when making judgments about accounting policy disclosures. The amendment had no impact on adoption to the Company.

3. Restricted Cash

Restricted cash of \$458,368 as at September 30, 2023 (December 31, 2022 - \$1,745,365), relate to term deposits provided as cash collateral for environmental bonding with the government of Guatemala. During the nine months ended September 30, 2023, \$1,278,833 was released from these bonding requirements and the related cash collateral was returned to the Company.

Bluestone Resources Inc.

Notes for the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2023 and 2022

(Expressed in United States dollars - Unaudited)

4. Property, Plant and Equipment

	September 30, 2023		
	Land	Plant and equipment ⁽¹⁾	Total
Cost			
Balance, January 1, 2023	\$19,962,286	\$5,272,689	\$25,234,975
Additions	248,721	23,512	272,233
Disposals	—	(1,302,646)	(1,302,646)
Balance, September 30, 2023	20,211,007	3,993,555	24,204,562
Accumulated depreciation			
Balance, January 1, 2023	—	(1,595,604)	(1,595,604)
Charge for the period	—	(207,906)	(207,906)
Disposals	—	280,896	280,896
Balance, September 30, 2023	—	(1,522,614)	(1,522,614)
Net book value at September 30, 2023	\$20,211,007	\$2,470,941	\$22,681,948

⁽¹⁾ Includes assets under construction of \$986,962 at September 30, 2023.

	December 31, 2022		
	Land	Plant and equipment ⁽²⁾	Total
Cost			
Balance, January 1, 2022	\$17,332,131	\$6,207,863	\$23,539,994
Additions	2,630,155	483,552	3,113,707
Disposals and write-offs	—	(1,418,726)	(1,418,726)
Balance, December 31, 2022	19,962,286	5,272,689	25,234,975
Accumulated depreciation			
Balance, January 1, 2022	—	(1,318,154)	(1,318,154)
Charge for the year	—	(322,600)	(322,600)
Disposals	—	45,150	45,150
Balance, December 31, 2022	—	(1,595,604)	(1,595,604)
Net book value at December 31, 2022	\$19,962,286	\$3,677,085	\$23,639,371

⁽²⁾ Includes assets under construction of \$986,962 at December 31, 2022. During the year ended December 31, 2022, assets under construction of \$767,047 were returned to the supplier. The Company received a refund for the same amount and no gain or loss was recognized in the consolidated statement of loss. An additional \$499,897 of this asset under construction was also written off during the year ended December 31, 2022, with the loss on write-off recognized in the consolidated statement of loss.

Bluestone Resources Inc.

Notes for the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(Expressed in United States dollars - Unaudited)

5. Trade and Other Payables

	September 30, 2023	December 31, 2022
Trade payables	\$219,719	\$462,888
Accrued liabilities	599,490	398,003
Payroll liabilities	245,214	342,890
Rehabilitation provisions	8,295	7,953
Other liabilities ⁽¹⁾⁽²⁾	3,017,257	5,315,055
	\$4,089,975	\$6,526,789
Non-current portion of other liabilities ⁽¹⁾⁽²⁾	(934,593)	(1,365,009)
Current trade and other payables	\$3,155,382	\$5,161,780

⁽¹⁾ Other liabilities include amounts relating to land purchase agreements payable from 2023 to 2025. As at September 30, 2023, current and non-current other liabilities relating to these agreements were \$1,652,664 and \$934,593, respectively (December 31, 2022 - \$3,733,547 and \$935,009).

⁽²⁾ Included in other liabilities are agreements with previous landowners that do not relate to the purchases of land. As at September 30, 2023, current and non-current other liabilities relating to these agreements were \$430,000 and \$nil, respectively (December 31, 2022 - \$216,499 and \$430,000). These were recognized as exploration and evaluation expenses in the consolidated statement of loss. The Company is required to make the remaining payments in 2024.

6. Loan

On March 11, 2022, the Company established the Loan facility with Zebra Holdings and Investments S.à.r.l and Lorito Holdings S.à.r.l (the "Lender"). The \$30,000,000 Loan facility provides for the drawdown of funds by the Company in tranches of not less than \$1,000,000. During the nine months ended September 30, 2023, the term of the Loan was extended to March 11, 2024.

The Lender and its affiliates are significant shareholders of the Company, making them a related party.

In consideration for the Loan, the Company issued 150,000 common shares of the Company with a fair value of \$234,670 to the Lender upon execution (the "Initial Shares"), and will issue an additional 4,000 common shares per month (prorated for partial months) for each \$1,000,000 of the principal amount outstanding under the Loan from time to time up to March 11, 2024.

As at September 30, 2023, the Company had a Loan payable of \$12,000,000. The Company incurred transaction costs of \$274,935 in connection with the execution of the Loan. These transaction costs, which included the Initial Shares, were recognized as prepaid expenses and other current assets in the consolidated statement of financial position and amortized over a 12-month period using the straight-line method.

Bluestone Resources Inc.**Notes for the Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2023 and 2022**

(Expressed in United States dollars - Unaudited)

7. Rehabilitation Provisions

The changes in the rehabilitation provision during the nine months ended September 30, 2023, and year ended December 31, 2022, were as follows:

	September 30, 2023	December 31, 2022
Balance, beginning of year	\$9,327,341	\$8,651,491
Accretion (unwinding of discount)	663,737	451,096
Settled during the period	—	(21,444)
Change in estimates and rates	(569,527)	246,198
	9,421,551	9,327,341
Current portion of rehabilitation provisions	(8,295)	(7,953)
Non-current rehabilitation provisions	\$9,413,256	\$9,319,388

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 September 30, 2023, is \$13,728,210 (December 31, 2022 - \$14,225,644). The change in the rehabilitation provision estimate during the nine months ended September 30, 2023, was due to updated inflation and discount rates. The change in the rehabilitation provision estimate during the year ended December 31, 2022, was due to updated costs for the rehabilitation of Cerro Blanco and updated timing of cash flows, inflation rate and discount rate. The calculation of present value of estimated future cash flows assumed a discount rate of 9.77% (December 31, 2022 - 9.20%) and an inflation rate of 4.67% (December 31, 2022 - 5.45%). The liabilities are expected to be settled at various dates which are currently expected to extend from 2024 to 2029. The changes were recorded in exploration and evaluation expenses in the consolidated statement of loss and comprehensive loss (note 9).

A 1% increase or decrease in the discount rate would cause the rehabilitation provision to decrease or increase by approximately \$341,000 and \$358,000, respectively. A 1% increase or decrease in the inflation rate would cause the rehabilitation provision to increase or decrease by approximately \$84,000.

Bluestone Resources Inc.

Notes for the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(Expressed in United States dollars - Unaudited)

8. Share Capital

As at September 30, 2023, the Company's authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

a) Stock options

The changes in stock options outstanding during the nine months ended September 30, 2023, and year ended December 31, 2022, were as follows:

	September 30, 2023		December 31, 2022	
	Number of options	Weighted avg. exercise price (C\$/option)	Number of options	Weighted avg. exercise price (C\$/option)
Outstanding, beginning of period	9,154,200	\$1.72	7,533,000	\$1.63
Granted	4,280,342	0.56	2,268,000	1.91
Exercised	—	—	(646,800)	(1.25)
Forfeited	(2,192,700)	(1.60)	—	—
Outstanding, end of period	11,241,842	\$1.30	9,154,200	\$1.72

7,854,282 of the stock options outstanding as at September 30, 2023, are exercisable, at a weighted average exercise price of C\$1.51 per option.

The weighted average fair value of the stock options granted during the nine months ended September 30, 2023, and year ended December 31, 2022, were estimated to be C\$0.56 and C\$0.73 per stock option, respectively, using the Black-Scholes option pricing model with the following weighted average assumptions:

	September 30, 2023	December 31, 2022
Risk-free rate	3.53 %	1.82 %
Volatility	64.39 %	55.37 %
Dividend yield	— %	— %
Expected life	3 years	3 years

The stock options granted during the nine months ended September 30, 2023, have expiry dates of February 2, 2028, and September 12, 2028.

During the three and nine months ended September 30, 2023, the Company recognized share-based compensation expense of \$121,072 and \$745,095 (three and nine months ended September 30, 2022 - \$204,010 and \$1,062,488), respectively, in the consolidated statement of loss relating to the stock options.

Bluestone Resources Inc.**Notes for the Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2023 and 2022**

(Expressed in United States dollars - Unaudited)

9. Exploration and Evaluation Expenses

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Cerro Blanco general and exploration expenditures	\$729,614	\$1,073,308	\$3,179,406	\$7,425,190
Corporate social responsibility and community relations	27,914	357,996	135,341	1,382,525
Cerro Blanco feasibility study and pre-development expenditures	—	853,853	—	4,275,135
Mita Geothermal evaluation	—	3,393	1,628	10,578
Depreciation	66,685	80,756	207,906	248,050
Change in rehabilitation provision estimates (note 7)	—	—	(569,527)	—
	\$824,213	\$2,369,306	\$2,954,754	\$13,341,478

10. Related Party Transactions - Key Management Compensation

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

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Salaries	\$142,065	\$451,173	\$687,049	\$1,324,601
Share-based compensation	72,221	164,400	485,512	856,018
	\$214,286	\$615,573	\$1,172,561	\$2,180,619

Accrued compensation due to key management as at September 30, 2023, was \$122,735 (December 31, 2022 - \$84,908).

Bluestone Resources Inc.

Notes for the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(Expressed in United States dollars - Unaudited)

11. Financial Instruments

The fair value hierarchy establishes three levels to classify the inputs of valuation techniques used to measure fair value. As required by IFRS 13, *Fair Value Measurement*, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The three levels of the fair value hierarchy are described below:

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 unobservable (supported by little or no market activity).

The Company holds equity securities of a publicly traded company which are categorized as Level 1. The equity securities are measured at fair value through other comprehensive income and are valued using a market approach based upon unadjusted quote prices in an active market obtained from securities exchanges.

The fair values of the Company's cash, accounts receivable, restricted cash, trade and other payables and Loan payable approximate their carrying values, which are the amounts recorded on the consolidated statement of financial position, due to their short-term nature. The Company's other liabilities' fair value approximate its carrying value due to the consistency of the credit risk of the Company since the initial recognition of the instruments. The Company's other liabilities are categorized as Level 2.

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 restricted cash. Management believes that the credit risk with respect to these financial instruments is moderately low as the balances primarily consist of amounts on deposit with major financial institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banking institutions. The maximum exposure to credit risk as at September 30, 2023, was \$2,893,466 (December 31, 2022 - \$3,682,163).

b) Liquidity risk

The Company's approach to managing liquidity risk is to try to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2023, the Company had a cash balance of \$2,378,088 (December 31, 2022 - \$1,743,139) to settle current liabilities of \$15,155,382 (December 31, 2022 - \$11,161,780). All of the Company's financial liabilities are subject to commercial trade terms. See note 1 for further details of liquidity risk.

As a part of the terms of the Company's acquisition of Cerro Blanco in 2017, the Company is required to make a payment of \$15,000,000 within six months of the commencement of commercial production at Cerro Blanco and pay a 1% net smelter returns royalty on the sale of gold and silver produced from Cerro Blanco. In August 2020, the terms of the \$15,000,000 payment were amended so that the Company is required to make payments totaling approximately \$16,000,000 staggered over 12 to 27 months following the commencement of commercial production at Cerro Blanco. These payments are not recognized as liabilities in the consolidated statement of financial position as at September 30, 2023. These payments will be recognized as liabilities in the consolidated statement of financial position upon commencement of commercial production at Cerro Blanco.

Bluestone Resources Inc.

Notes for the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(Expressed in United States dollars - Unaudited)

12. Financial Risk Management (cont'd)

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

Interest rate risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. Interest rate risk arises from the interest rate impact on cash because these are the financial instruments held by the Company that are impacted by interest based on variable market interest rates. The Company manages interest rate risk by maintaining an investment policy for short-term investments and cash held in banks, which focuses on preservation of capital and liquidity. The Company monitors its exposure to interest rates closely and has not entered into any derivative contracts to manage its risk. As at September 30, 2023, the weighted average interest rate earned on the Company's cash was 4.59%. With other variables unchanged, a change in the annualized interest rate of a hundred basis points at September 30, 2023, would impact after-tax net loss by approximately \$10,000.

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 September 30, 2023, would result in an approximate \$1,139,000 increase/decrease in net loss and an approximate \$1,019,000 decrease/increase in other comprehensive loss. A 10% fluctuation in the US\$/Guatemala quetzal rate as at September 30, 2023, would result in an approximate \$84,000 decrease/increase in net loss.

Price risk

The Company's financial instruments are exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings or other comprehensive income due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

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 or public placements in order to maintain or adjust the capital structure.

There were no changes to the Company's approach to capital management during the nine months ended September 30, 2023. The Company is not subject to externally imposed capital requirements.

Bluestone Resources Inc.**Notes for the Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2023 and 2022**(Expressed in United States dollars - Unaudited)

13. Supplemental Cash Flow Information

Non-cash financing transactions during the nine months ended September 30, 2023 and 2022, were as follows:

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Shares issued in relation to the Loan	\$474,678	\$275,828
Transfer of reserves on exercise of options	—	(213,790)

15