

BLUESTONE RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2023

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, 2023. The MD&A was prepared as of May 2, 2023, and should be read with the unaudited condensed interim consolidated financial statements and related notes for the three months ended March 31, 2023, 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 unaudited condensed interim consolidated financial statements and related notes for the three months ended March 31, 2023 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*.

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, that address activities, events, or developments that the Company believes, expects, or anticipates will or may occur in the future including, without limitation: expectations regarding the approval of an environmental permit amendment, other required permits and expected project timelines; life of mine production and the production profile of the Cerro Blanco Project ("Cerro Blanco" or the "Project"); capital requirements; mineral reserve estimates; forecasts regarding Guatemala's energy mix; expectations that greater private sector engagement will carry out projects of generation and transmission through the development of public-private partnerships; expectations regarding the availability of, and ability to secure, funding; expectations regarding the Company's ability to meet its existing obligations and commitments and fund ongoing operations; expectations regarding the need for, and use of, further funding and sources of same; expectations regarding actual funding requirements; management's expectations regarding the Company's ability to raise equity capital and/or debt as required and the potential that the Company's planned initiatives or other work programs may be postponed or otherwise revised; power availability and cost; the impact of commodity prices; expectations and impacts regarding groundwater dewatering; expectations regarding site land negotiations; estimates regarding working capital requirements; the issuance of common shares under the Loan; expectations relating to social acceptance of the Project and the nature of community and socio-political opposition; the impact of geopolitical conflict, epidemics or pandemics and inflation; the Company's belief that challenges including technical challenges such as hot water management can be managed; the Company's intended approach regarding the payment of dividends; the expected timing of the completion of offsite infrastructure and potential benefits; the Company's ability to attract and retain qualified personnel; expectations regarding climate change regulatory trends and the associated costs of compliance; the objectives and benefits of the feasibility study on Cerro Blanco titled "N.I. 43-101 Technical Report & Feasibility Study of the Cerro Blanco Gold Project, Department of Jutiapa, Guatemala" dated April 6, 2022 with an effective date as of February 22, 2022 and filed on the Company's profile at www.sedar.com on April 6, 2022 (the "Feasibility Study"); and the estimated value of the Project. These forward-looking statements reflect the current expectations or beliefs of the Company based on information currently available to Bluestone and often use words such as "expects", "plans", "anticipates", "estimates", "intends", "may", or variations thereof or the negative of any of these terms.

All forward-looking statements are made based on Bluestone's current beliefs as well as various assumptions made by Bluestone and information currently available to Bluestone. Generally, these assumptions include, among others: the presence of and continuity of metals at the Project at estimated grades; the availability of personnel, machinery, and equipment at estimated prices and within estimated delivery times; currency exchange rates; metals sales prices and exchange rates assumed; appropriate discount rates applied to the cash flows in economic analyses; tax rates and royalty rates applicable to the proposed mining operations; the availability of acceptable financing; the impact of the novel coronavirus pandemic ("COVID-19"); anticipated mining losses and dilution; success in realizing proposed operations; and anticipated timelines for community consultations and the impact of those consultations on the regulatory approval process.

Forward-Looking Statements (cont'd)

Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual results of Bluestone to differ materially from those discussed in the forward-looking statements and, even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, Bluestone. Factors that could cause actual results or events to differ materially from current expectations include, among other things: risks related to increasing community opposition to the Project and its effect on permitting and Project timelines; potential changes to the mining method and the current development strategy; risks and uncertainties related to expected production rates; timing and amount of production and total costs of production; risks and uncertainties related to the ability to obtain, amend, or maintain necessary licenses, permits, or surface rights; risks associated with technical difficulties in connection with mining development activities; risks and uncertainties related to the accuracy of mineral resource estimates and estimates of future production, future cash flow, total costs of production, and diminishing quantities or grades of mineral resources; changes in Project parameters as plans continue to be refined; title matters; risks associated with geopolitical uncertainty and political and economic instability in Guatemala; risks related to global epidemics or pandemics and other health crises, including the impact of COVID-19; risks and uncertainties related to interruptions in production; risks related to Project working conditions, accidents or labour disputes; the possibility that future exploration, development, or mining results will not be consistent with Bluestone's expectations; uncertain political and economic environments and relationships with local communities and governmental authorities; risks relating to variations in the mineral content and grade within the mineral identified as mineral resources from that predicted; variations in rates of recovery and extraction; developments in world metals markets; risks related to fluctuations in commodity prices and currency exchange rates; risks related to environmental hazards and infrastructure; compliance with governmental laws and regulations, including anti-corruption laws, and associated costs of compliance; tax risks; reliance on third parties and risk associated with foreign subsidiaries; risks associated with having a limited operational history; risks related to substantial capital requirements; acquisition risk; future sales or issuances of common shares; risks related to competition and dependence on key personnel; risks related to conflicts of interest; uninsurable risks; risks related to changes in climate conditions; risks related to control persons; information technology security risks; litigation risk; geopolitical risks and conflict; and inflation. For a further discussion of risks relevant to Bluestone, see "Risk Factors" in the Company's annual information form ("AIF") for the year ended December 31, 2022, available on the Company's SEDAR profile at www.sedar.com.

Any forward-looking statement speaks only as of the date on which it was made, and except as may be required by applicable securities laws, Bluestone disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results, or otherwise. Although Bluestone believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance, and accordingly, undue reliance should not be put on such statements due to their inherent uncertainty. There can be no assurance that forward-looking statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements.

Qualified Person

The scientific and technical disclosure in this MD&A has been reviewed and approved by David Cass, P.Geo., Vice President Exploration, who is a Qualified Person as defined by National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("N.I. 43-101").

Overview

Bluestone is a Canadian-based precious metals exploration and development company focused on opportunities in Guatemala. The Company's flagship asset is 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.

Highlights for the Three Months Ended March 31, 2023

- On January 30, 2023, the Company announced that it had extended the term of the previously announced \$30 million loan (the "Loan") with Zebra Holdings and Investments S.à.r.l, and Lorito Holdings S.à.r.l (the "Lender") that was due to expire March 11, 2023. In consideration for the Loan, the Company will issue 4,000 common shares per month (pro-rated for partial months) for each \$1 million of the principal amount outstanding under the Loan from time to time up to March 11, 2024.

Project Updates

Cerro Blanco

The Company has one principal mining property interest, namely Cerro Blanco. Elevar Resources, S.A., formerly Entre Mares de Guatemala S.A., a wholly-owned subsidiary of the Company, is the 100% owner of Cerro Blanco. An exploitation license for Cerro Blanco was granted in 2007. The Company is in the process of amending Cerro Blanco's environmental permit to capture the change from underground to surface mining method.

Permit amendment application

The environmental permit amendment application was submitted to the Guatemalan national authorities in 2021. The amendment application is a comprehensive document that covers all aspects of the Project in detail, building on the historical data and the previously approved 2007 Environmental Impact Assessment, to incorporate the new surface mining method. The Company has been in regular contact with the relevant authorities as they complete their technical reviews, including site visits and providing responses to questions and comments on the application. As part of the permit review process, the Guatemala Ministry of Environment (the "MARN") completed their site visit in January 2023. The Company is waiting for the formal response with comments and questions from the MARN to conclude the technical review of the Project.

Mita Geothermal Project ("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 kilometers 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 up to a 50-megawatt geothermal plant.

It is currently forecasted that Guatemala's energy matrix will transition to a more renewable mix as Guatemala has stated it is promoting more renewable energy usage and expanding the regional market. It is expected that greater private sector engagement will carry out projects of generation and transmission through the development of public-private partnerships. The Company continues to evaluate advancement options for Mita Geothermal as these developments occur.

Results of Operations for the Three Months Ended March 31, 2023 Compared to the Three Months Ended March 31, 2022

The Company's net loss for the three months ended March 31, 2023, totaled \$3,225,505 or \$0.02 per share as compared to a net loss of \$6,689,664 or \$0.04 per share for the three months ended March 31, 2022. Significant expenditures and variances are as follows:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	(Increase) Decrease in Net Loss
Exploration and evaluation expenses ⁽¹⁾	\$1,344,263	\$5,226,272	\$3,882,009
General and administration			
Salaries and wages ⁽²⁾	574,868	546,001	(28,867)
Share-based compensation	480,300	629,108	148,808
Office and general	205,485	388,806	183,321
Professional fees	83,296	141,340	58,044
Corporate listing and filing fees	49,348	60,635	11,287
Advertising and promotion	20,053	70,806	50,753
	(2,757,613)	(7,062,968)	4,305,355
Interest income	44,037	26,135	17,902
Finance expenses	(179,931)	(16,564)	(163,367)
Accretion expense	(216,160)	(110,766)	(105,394)
Gain on disposal of property, plant & equipment	98,456	—	98,456
Other income	—	3,901	(3,901)
Foreign exchange loss	(39,363)	(720)	(38,643)
Loss before income tax	(3,050,574)	(7,160,982)	4,110,408
Income tax (expense) recovery ⁽³⁾	(174,931)	471,318	(646,249)
Net loss	(\$3,225,505)	(\$6,689,664)	\$3,464,159

⁽¹⁾ Exploration and evaluation expenses for the three months ended March 31, 2023 and 2022, were for the following:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Cerro Blanco general and exploration expenditures	\$1,196,106	\$2,878,431
Corporate social responsibility and community relations	76,804	599,590
Cerro Blanco feasibility study, preliminary economic assessment and pre-development expenditures	—	1,661,618
Mita Geothermal evaluation	—	2,364
Depreciation	71,353	84,269
	\$1,344,263	\$5,226,272

⁽²⁾ General and administration salaries and wages were higher for the three months ended March 31, 2023, compared to the three months ended March 31, 2022, due to severance expenses.

⁽³⁾ Income tax (expense) recovery is due to the (increase) decrease of a deferred income tax liability due to the effects of foreign exchange on the tax basis of property, plant and equipment and the exploration and evaluation asset in Guatemala. The tax basis of the assets in Guatemala still exceeds the accounting basis, but the excess which existed at the date of acquisition is treated as a permanent difference for tax accounting purposes.

Summary of Quarterly Results

The following table summarizes selected financial data reported by the Company for the three months ended March 31, 2023, and the previous seven quarters. The Company's unaudited condensed interim consolidated financial statements are reported under IFRS applicable to interim financial reporting.

	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Current assets	\$2,420,618	\$2,445,187	\$2,297,623	\$3,805,526	\$12,163,984	\$18,962,861	\$32,547,978	\$42,179,739
Property, plant and equipment	22,748,998	23,639,371	24,158,370	24,959,094	24,013,184	22,221,840	14,201,894	9,046,892
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	57,035,212	57,956,356	58,326,913	60,659,906	68,080,431	73,080,302	78,642,612	83,116,580
Current liabilities	12,919,451	11,161,780	8,576,932	5,826,246	5,930,381	4,839,224	4,316,707	2,732,570
Working capital (deficit)	(10,498,833)	(8,716,593)	(6,279,309)	(2,020,720)	6,233,603	14,123,637	28,231,271	39,447,169
Net loss	(3,225,505)	(2,480,949)	(5,204,946)	(8,317,451)	(6,689,664)	(7,269,408)	(7,129,181)	(7,537,260)
Basic and diluted loss per share	(0.02)	(0.02)	(0.03)	(0.06)	(0.04)	(0.05)	(0.05)	(0.05)
Weighted avg. shares outstanding	151,261,519	151,198,411	151,164,655	151,149,788	150,682,416	150,188,918	150,158,483	150,144,563

Increases in property, plant and equipment during 2021 and 2022 were mainly due to purchases of land required for the Cerro Blanco open pit development scenario. Increases in current liabilities during 2021 and 2022 were mainly due to the Loan payable (see "*Liquidity and Capital Resources*") and liabilities relating to the purchases of land. Quarterly results mainly fluctuate due to the level of exploration and evaluation activities, such as drilling programs and engineering activities, and fluctuations in the C\$/US\$ rate. There are no seasonal fluctuations in the results for the presented periods.

Liquidity and Capital Resources

Cash increased by \$118,348 during the three months ended March 31, 2023, from \$1,743,139 as at December 31, 2022, to \$1,861,487 as at March 31, 2023. Cash utilized in operating activities during the three months ended March 31, 2023, was \$2,890,976 (three months ended March 31, 2022 - \$6,896,178). Cash generated by investing activities during the three months ended March 31, 2023, was \$1,007,038 (three months ended March 31, 2022 - cash used of \$1,255,046), mainly from the disposal of property, plant and equipment. During the three months ended March 31, 2023, the Company generated cash from financing activities, mainly from drawing on a loan facility, of \$2,000,000 compared to \$497,328 during the three months ended March 31, 2022.

As at March 31, 2023, share capital was \$180,000,654 and was comprised of 151,319,367 issued and outstanding common shares (December 31, 2022 - \$179,878,018 comprised of 151,236,141 shares outstanding). The increase in outstanding common shares during the three months ended March 31, 2023, was due to shares issued in relation to the Loan. Reserves, which increased due to the vesting of stock options, were \$12,650,942 (December 31, 2022 - \$12,170,642). As a result of the net loss for the three months ended March 31, 2023, the deficit at March 31, 2023, increased to \$171,664,339 from \$168,438,834 at December 31, 2022. Accordingly, shareholders' equity on March 31, 2023, was \$31,908,150 compared to \$34,544,293 at December 31, 2022.

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*".

Liquidity and Capital Resources (cont'd)

As at March 31, 2023, the Company had a working capital deficit of \$10,498,833. While management expects that the Company will be able to meet its existing obligations and commitments and fund ongoing operations for at least the next twelve months from March 31, 2023, 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 currently has the ability to draw on the Loan of \$30,000,000 from related parties (\$8,000,000 drawn at March 31, 2023) until March 11, 2024. 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.

Loan

On March 11, 2022, the Company established the Loan with 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.

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 (pro-rated for partial months) for each \$1,000,000 of the principal amount outstanding under the Loan from time to time up to March 11, 2023. During the three months ended March 31, 2023, the term of the Loan was extended to March 11, 2024.

As at March 31, 2023, the Company had a Loan payable of \$8,000,000. 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.

Risks and Uncertainties

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

- Operations in Guatemala
- The successful development of Cerro Blanco and Mita Geothermal cannot be guaranteed
- Community action
- Global epidemics or pandemics or other health crises
- Licenses and title to assets
- Maintaining and obtaining licenses and permits
- Environmental hazards
- Governmental laws and regulations
- 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
- Acquisition risk
- Future sales or issuances of common shares
- Competition
- Dependence on key personnel
- 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
- Information technology security risks
- Litigation risk
- Share price risk
- Geopolitical risk and conflict including the Ukraine-Russia conflict
- Inflation

An analysis of these risks and uncertainties, as they have the potential to impact the Company, can be found in the Company's AIF and MD&A for the year ended December 31, 2022. The risks and uncertainties have not changed from those disclosed in the Company's AIF and MD&A for the year ended December 31, 2022.

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 and stock options are outstanding as at May 2, 2023:

	Number of Shares	Exercise Price C\$	Remaining life (years)
Issued and Outstanding Common Shares	151,351,367		
Stock options	11,943,342	0.57 - 1.91	0.38 - 4.76
Fully diluted at May 2, 2023	163,294,709		

Off Balance Sheet Arrangements

The Company does not utilize off balance sheet arrangements.

Transactions with Related Parties

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 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 and comprehensive loss is as follows:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Salaries	\$328,579	\$414,377
Share-based compensation	316,522	507,046
	\$645,101	\$921,423

Accrued compensation due to key management as at March 31, 2023, was \$82,143 (December 31, 2022 - \$84,908).

Loan

The Lender and its affiliates are significant shareholders of the Company, making them a related party. Details of the Loan can be found in the MD&A section "*Liquidity and Capital Resources*" and note 5 of the Company's condensed interim consolidated financial statements for the three months ended March 31, 2023.

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, 2023.

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, 2022.

New Standards and Interpretations Adopted

A description of the International Accounting Standards Board's new standards and interpretations adopted by the Company can be found in note 2(c) of the Company's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2023.

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, 2023, 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, 2023, 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 2, 2023. A copy of this MD&A will be provided to anyone who requests it.

Additional Information

Additional information relating to Bluestone, including its most recent AIF, is on SEDAR at www.sedar.com or can be obtained by contacting:

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