



ORESTONE MINING CORP.
(An Exploration Stage Company)

**Condensed Consolidated Interim Financial Statements
(Unaudited)**

**For the nine months ended
October 31, 2018**

Orestone Mining Corp.
Suite 407 – 325 Howe Street
Vancouver, British Columbia, Canada V6C 1Z7

Trading Symbol: ORS
Telephone: 604-629-1929



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**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with National instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

ORESTONE MINING CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Note	October 31, 2018 (Unaudited)	January 31, 2018 (Audited)
ASSETS			
Current			
Cash		\$ 7,777	\$ 106,882
Marketable securities	4	40	93
Receivables		2,341	1,057
Prepaid expenses		12,876	-
		<u>23,034</u>	<u>108,032</u>
Non-current			
Exploration and evaluation assets	5	1,486,152	1,386,756
Reclamation bonds	5	29,000	29,000
		<u>1,515,152</u>	<u>1,415,756</u>
		<u>1,538,186</u>	<u>1,523,788</u>
LIABILITIES			
Current			
Trade and other payables		70,434	37,896
Due to related parties	8	157,799	68,145
		<u>228,233</u>	<u>108,032</u>
SHAREHOLDERS' EQUITY			
Share capital	6	6,317,718	6,244,948
Reserves	6	1,646,050	1,563,202
Deficit		(6,653,815)	(6,390,403)
		<u>1,309,953</u>	<u>1,417,747</u>
		<u>\$ 1,538,186</u>	<u>\$ 1,523,788</u>

Nature of Operations and Going Concern (Note 1)
Events After the Reporting Period (Note 11)

These consolidated financial statements are authorized for issue by the Board of Directors on December 28, 2018.
They are signed on the Company's behalf by:

"David Hottman"

David Hottman, Director

"Gary Nordin"

Gary Nordin, Director

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

ORESTONE MINING CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars; Unaudited)

	Note	For the three months ended October 31		For the nine months ended October 31	
		2018	2017	2018	2017
Expenses					
Filing fees		\$ 1,067	\$ 9,069	\$ 14,980	\$ 15,790
Investor relations		5,966	4,320	7,248	15,965
Office, rent and miscellaneous	8	4,667	3,008	17,985	11,000
Project search		3,015	3,720	31,753	4,140
Professional fees	8	16,472	21,480	35,692	34,305
Salaries, benefits and consulting fees	8	36,447	18,011	91,934	54,349
Share-based payments	8	28,146	-	64,017	-
		<u>95,780</u>	<u>59,608</u>	<u>263,609</u>	<u>135,549</u>
Other items					
Mineral exploration tax credit refund		-	(14,637)	-	(14,637)
Interest income		(197)	-	(197)	(99)
		<u>(197)</u>	<u>(14,637)</u>	<u>(197)</u>	<u>(14,736)</u>
Net loss for the period		<u>95,583</u>	<u>44,971</u>	<u>263,412</u>	<u>120,813</u>
Total comprehensive loss for the period		<u>\$ 95,583</u>	<u>\$ 44,971</u>	<u>\$ 263,412</u>	<u>\$ 120,813</u>
Basic and diluted loss per share		<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.02</u>	<u>\$ 0.02</u>
Weighted average number of common shares outstanding		<u>12,546,108</u>	<u>7,817,628</u>	<u>12,051,603</u>	<u>7,642,170</u>

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

ORESTONE MINING CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

				<u>Reserves</u>			
	Number of shares	Share capital	Warrants	Agent's Warrants	Share-based payments	Deficit	Total shareholders' equity
Balance as at January 31, 2017 (Audited)	7,554,441	\$ 6,148,828	\$ 731,413	\$ 98,399	\$ 566,122	\$ (6,174,273)	\$ 1,370,489
Shares issues:							
Private placement	3,991,667	114,835	124,665.00	-	-	-	239,500
Share issuance costs	-	(17,787)	-	-	-	-	(17,787)
Net loss and comprehensive loss	-	-	-	-	-	(120,813)	(120,813)
Balance as at October 31, 2017 (Unaudited)	11,546,108	6,245,876	856,078	98,399	566,122	(6,295,086)	1,471,389
Share-based payments	-	-	-	-	42,603	-	42,603
Share issuance costs	-	(928)	-	-	-	-	(928)
Net loss and comprehensive loss	-	-	-	-	-	(95,317)	(95,317)
Balance as at January 31, 2018 (Audited)	11,546,108	6,244,948	856,078	98,399	608,725	(6,390,403)	1,417,747
Shares issues:							
Private placement	1,000,000	81,169	18,831	-	-	-	100,000
Share issuance costs	-	(8,399)	-	-	-	-	(8,399)
Share-based payments	-	-	-	-	64,017	-	64,017
Net loss and comprehensive loss	-	-	-	-	-	(263,412)	(263,412)
Balance as at October 31, 2018 (Unaudited)	12,546,108	\$ 6,317,718	\$ 874,909	\$ 98,399	\$ 672,742	\$ (6,653,815)	\$ 1,309,953

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

ORESTONE MINING CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars; Unaudited)

		For the nine months ended October 31	
	Note	2018	2017
Cash provided by (used for):			
Operating activities			
Net loss		\$ (263,412)	\$ (120,813)
Items not involving cash:			
Share-based payments		64,017	-
Loss on revaluation of marketable securities	4	53	-
Changes in non-cash working capital items:			
Receivables		(1,284)	30,763
Prepaid expenses		(12,876)	-
Trade and other payables		115,043	11,824
Cash (used in) operating activities		(98,459)	(78,226)
Investing activities			
Exploration and evaluation assets	5	(99,396)	(16,322)
Cash (used in) investing activities		(99,396)	(16,322)
Financing activities			
Net proceeds from issuance of common shares	6	98,750	221,713
Cash provided by financing activities		98,750	221,713
Net increase in cash		(99,105)	127,165
Cash - beginning of the period		106,882	1,485
Cash - end of the period		\$ 7,777	\$ 128,650
Supplemental disclosure with respect to cash flows:			
Exploration and evaluation assets in trade and other payables		\$ 22,099	\$ 22,099

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

ORESTONE MINING CORP.

Notes to the Condensed Consolidated Interim Financial Statements
For the nine months ended October 31, 2018
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Orestone Mining Corp. (the "Company" or "Orestone") was incorporated under the Business Corporations Act (British Columbia) on April 30, 2007 and its principal business activity is the acquisition and exploration of mineral properties. The address of the Company's registered and head office is 19th Floor, 885 West Georgia Street, Vancouver, BC V6C 3H4. The Company's shares are listed on the TSX Venture Exchange and trade under the symbol "ORS".

On August 29, 2017, the Company completed a five for one share consolidation (*see Note 6b*). All references to number of shares and per share amounts have been retroactively restated to reflect the consolidation.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to raise adequate financing to develop its exploration and evaluation assets, and to commence profitable operations in the future. To date, the Company has not generated any significant revenues and is considered to be in the exploration stage. These uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

Management's plan includes continuing to pursue additional sources of financing through equity offerings, seeking joint venture partners to fund exploration, monitoring exploration activity and reducing overhead costs. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the consolidated financial statements of financial position. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that may be necessary should the Company be unable to continue in existence.

	October 31, 2018		January 31, 2018	
Deficit	\$	(6,653,815)	\$	(6,390,403)
Working capital (deficiency)	\$	(205,199)	\$	1,991

2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance and compliance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

ORESTONE MINING CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2018

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION, (Continued)

(b) Basis of preparation

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for marketable securities classified and measured at fair value through profit or loss. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of these condensed consolidated interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

These condensed consolidated interim financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation.

3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS as issued by the IASB on a basis consistent with those followed in the Company's most recent annual financial statements for the year ended January 31, 2018.

These unaudited condensed consolidated interim financial statements do not include all note disclosures required by IFRS for annual financial statements, and therefore should be read in conjunction with the annual financial statements for the year ended January 31, 2018. In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the nine-month period ended October 31, 2018 are not necessarily indicative of the results that may be expected for the current fiscal year ending January 31, 2019.

a) Adoption of IFRS 9 – Financial Instruments

On February 1, 2018, the Company adopted IFRS 9 in accordance with the transitional provisions of the standard. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39, Financial Instruments: Recognition and Measurement. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, the Company made an irrevocable election upon initial recognition for equity instruments existing at February 1, 2018 and previously classified as available-for-sale, to satisfy the conditions for classification as fair value through profit or loss ("FVPL"). In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. The change did not impact the carrying value of any of the Company's financial assets on the transition date.

ORESTONE MINING CORP.

Notes to the Condensed Consolidated Interim Financial Statements
For the nine months ended October 31, 2018
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES, (Continued)

a) Adoption of IFRS 9 – Financial Instruments, (Continued)

The impact on the balance sheet from the change relating to IFRS 9 has been summarized below.

We have assessed the classification and measurement of our financial assets and financial liabilities under IFRS 9 as follows:

	IAS 39	IFRS 9
Financial Assets		
Cash	Amortized cost	Amortized cost
Accounts Receivable	Amortized cost	Amortized cost
Marketable securities	Available-for-Sale	Fair value through profit or loss
Deposits and receivables	Amortized cost	Amortized cost
Financial Liabilities		
Trade and other payables	Amortized cost	Amortized cost

The classification of financial assets is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. Transaction costs with respect to financial instruments classified as fair value through profit or loss are recognized in the consolidated statements of comprehensive income or loss.

4. MARKETABLE SECURITIES

October 31, 2018	Shares	Cost	Fair Market Value
Millrock Resources Inc.	333	\$ 75	\$ 40

January 31, 2018	Shares	Cost	Fair Market Value
Millrock Resources Inc.	333	\$ 75	\$ 93

5. EXPLORATION AND EVALUATION ASSETS

Captain Property

The Company owns a 100% interest in certain mineral claims comprising the Captain Property located near Fort St. James, British Columbia.

As at October 31, 2018, the Company issued a \$29,000 (January 31, 2018 - \$29,000) reclamation bond to the Ministry of Energy, Mines and Petroleum Resources of British Columbia to guarantee reclamation of the environment on the Captain Property.

ORESTONE MINING CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2018

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS, (Continued)**Resguardo Property**

On August 16, 2018, the Company signed an option to purchase agreement (the "Agreement") for a 100% interest in the Resguardo copper project in northern Chile with the following payments to Sociedad Contractual Minera Resguardo ("CMR") and expenditures:

- (i) US\$70,000 initial payment (paid);
- (ii) US\$150,000 on or before the first anniversary of the Agreement;
- (iii) US\$220,000 on or before the second anniversary of the Agreement;
- (iv) US\$460,000 on or before the third anniversary of the Agreement;
- (v) US\$1,100,000 on or before the fourth anniversary of the Agreement;
- (vi) US\$3,000,000 on or before the fifth anniversary of the Agreement;
- (vii) Completing 2,000 metres of drilling at any time during the option period.

Upon completion of the purchase of the Resguardo copper project, a 1.5% net smelter royalty (the "NSR") will be reserved in favor of CMR. Orestone shall have the right at any time up to the seventh anniversary of the Agreement to purchase the NSR for US\$6.0 million. Orestone will also have the right to mine ores from the property at any time during the option period and would pay a 7% royalty on production for this right until completion of the purchase.

	Captain Property	Resguardo Property	Total
Property acquisition costs			
Balance, January 31, 2018	\$ 282,677	\$ -	\$ 282,677
Property payments	7,787	91,609	99,396
Balance, October 31, 2018	290,464	91,609	382,073
Deferred exploration costs			
Balance, January 31, 2018	1,396,902	-	1,396,902
Assays	-	-	-
Drilling	-	-	-
Equipment rental	-	-	-
Geological	-	-	-
Helicopter	-	-	-
Labour	-	-	-
Supplies	-	-	-
Trucking	-	-	-
Balance, October 31, 2018	1,396,902	-	1,396,902
Mining exploration tax credit	(292,823)	-	(292,823)
Total	\$ 1,394,543	\$ 91,609	\$ 1,486,152

ORESTONE MINING CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2018

(Expressed in Canadian dollars)

6. SHARE CAPITAL

a. Authorized

There are an unlimited number of common shares without par value.

b. Share consolidation

On August 29, 2017, the Company consolidated its share capital on the basis of one new share for every 5 old shares. All references to the number of shares and per share amounts have been retroactively restated to reflect the consolidation

c. Share issuance

On June 15, 2018, the Company completed a non-brokered private placement issuing 1,000,000 units at a price of \$0.10 per unit for gross proceeds of \$100,000. Each unit consists of one common share and one-half of common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$0.15 until June 14, 2019. The warrants were valued at \$18,831 under Black-Scholes Pricing Model with the residual being allocated to share capital.

On October 25, 2017, the Company closed a non-brokered private placement of 3,991,667 units (the "Units") at a price of \$0.06 per Unit for gross proceeds of \$239,500. The Company recorded \$18,715 of share issuance costs. Each Unit consisted of one common share and one common share purchase warrant. Each whole warrant can be exercised into one common share of the Company at a price of \$0.10 per share for a period of two years from the date of closing. The warrants were ascribed a value of \$124,665 under the Black-Scholes valuation model with the residual being allocated to share capital.

d. Share purchase option compensation plan

The Company has adopted an incentive share option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX Venture Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the common shares to be outstanding at closing. Such options will be exercisable for a period of up to 5 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares.

ORESTONE MINING CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2018

(Expressed in Canadian dollars)

6. SHARE CAPITAL, (Continued)**d. Share purchase option compensation plan, (Continued)**

The continuity of options is as follows:

Expiry date	Exercise price (\$)	January 31, 2017	Issued	Expired / cancelled	January 31, 2018	Issued	Expired / cancelled	October 31, 2018						
October 26, 2017	0.75	371,000	-	(371,000)	-	-	-	-						
June 28, 2018	0.50	125,000	-	(25,000)	100,000	-	(100,000)	-						
October 7, 2018	0.50	30,000	-	-	30,000	-	(30,000)	-						
November 22, 2022	0.15	-	785,000	-	785,000	-	(400,000)	385,000						
April 28, 2023	0.15	-	-	-	-	400,000	-	400,000						
June 4, 2023	0.15	-	-	-	-	100,000	-	100,000						
October 4, 2023	0.15	-	-	-	-	250,000	-	250,000						
Options outstanding		526,000	785,000	(396,000)	915,000	750,000	(530,000)	1,135,000						
Options exercisable		526,000	196,250	-	326,250	412,500	-	797,500						
Weighted average exercise price (\$)	\$	0.68	\$	0.15	\$	0.73	\$	0.20	\$	0.15	\$	0.24	\$	0.15

25% of the share purchase options issued during the period ended October 31, 2018 vested immediately upon grant and 25% every three months thereafter.

At October 31, 2018, the weighted average remaining life of the outstanding and exercisable options is 4.32 years (January 31, 2018 – 4.19 years).

The assumptions used in the Black Scholes Option Pricing Model to estimate the fair value of options were:

	2018	2017
Risk-free interest rate	2.24%	N/A
Expected stock price volatility	181.07%	N/A
Expected option life in years	5 years	N/A
Expected dividend yield	Nil	Nil
Forfeiture rate	Nil	Nil

Option pricing models require the input of highly subject assumptions including the expected price volatility. Changes in the subjective assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Company's share purchase options.

ORESTONE MINING CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2018

(Expressed in Canadian dollars)

6. SHARE CAPITAL, (Continued)**e. Warrants**

Expiry date	Exercise price (\$)	January 31, 2017	Issued	Expired	January 31, 2018	Issued	Expired	October 31, 2018
June 14, 2019	0.15	-	-	-	-	500,000	-	500,000
October 25, 2019	0.10	-	3,991,667	-	3,991,667	-	-	3,991,667
Warrants outstanding		-	3,991,667	-	3,991,667	-	-	4,491,667
Weighted average exercise price (\$)		\$Nil	\$ 0.10	\$Nil	\$ 0.10	\$ 0.15	\$Nil	\$ 0.11

At October 31, 2018, the weighted average remaining life of the outstanding warrants is 0.94 year (January 31, 2018 – 1.73 years).

The assumptions used in the Black Scholes Pricing Model to estimate the fair value of warrants were:

	2018	2017
Risk-free interest rate	1.57%	N/A
Expected stock price volatility	152.27%	N/A
Expected option life in years	1 year	N/A
Expected dividend yield	Nil	Nil
Forfeiture rate	Nil	Nil

f. Reserves

The reserves account record items recognized as share-based payments expense and other share-based payments. When stock options are exercised, the corresponding amount will be transferred to share capital. Amounts recorded for forfeited or expired unexercised options remain in the reserves account. Amounts recorded for exercised, cancelled or expired warrants remain in the reserves account.

7. LOSS PER SHARE**Basic and diluted loss per share**

The calculation of basic and diluted loss per share for the nine months ended October 31, 2018 was based on the loss attributable to common shareholders of \$263,412 (October 31, 2017 – \$120,813) and a weighted average number of common shares outstanding of 12,051,603 (October 31, 2017 – 7,642,170).

Diluted loss per share did not include the effect of 1,135,000 stock options (2017 – 130,000 stock options) and 4,491,667 warrants (2017 – 3,991,667) since they were anti-dilutive.

ORESTONE MINING CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2018

(Expressed in Canadian dollars)

8. RELATED PARTY TRANSACTIONS

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

For the nine months ended October 31, 2018:

	Short-term employee benefits	Post- employment benefits	Other long- term benefits	Termination benefits	Share- based payments	Total
David Hottman Chief Executive Officer, Director	\$50,400	\$Nil	\$Nil	\$Nil	\$ 3,603	\$54,003
Mark T. Brown Chief Financial Officer, Director	\$Nil	\$Nil	\$Nil	\$Nil	\$ 1,997	\$1,997
Andrew Muir * Former Director	\$Nil	\$Nil	\$Nil	\$Nil	\$ 459	\$459
Douglas Willock * Former Director	\$Nil	\$Nil	\$Nil	\$Nil	\$ 513	\$513
Gary D. Nordin Director	\$Nil	\$Nil	\$Nil	\$Nil	\$ 4,324	\$4,324
John Kanderka Director	\$Nil	\$Nil	\$Nil	\$Nil	\$ 3,603	\$3,603
Julia Aspillaga Director	\$Nil	\$Nil	\$Nil	\$Nil	\$ 17,719	\$17,719
Patrick Daniels Director	\$Nil	\$Nil	\$Nil	\$Nil	\$ 17,719	\$17,719

* The directors resigned from the Board of Directors on April 28, 2018.

For the nine months ended October 31, 2017:

	Short-term employee benefits	Post- employment benefits	Other long- term benefits	Termination benefits	Share- based payments	Total
David Hottman Chief Executive Officer, Director	\$50,400	\$Nil	\$Nil	\$Nil	\$Nil	\$50,400

ORESTONE MINING CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2018

(Expressed in Canadian dollars)

8. RELATED PARTY TRANSACTIONS, (Continued)

Related party transactions and balances:

		Nine months ended		As at	
		October 31,	October 31,	October 31,	January 31,
Amounts in accounts payable:	Services for:	2018	2017	2018	2018
David Hottman	Salaries	\$ 50,400	\$ 50,400	\$ 100,800	\$ 50,400
A private company controlled by a director of the Company	Rent	10,800	10,800	36,071	15,120
A private company with an officer in common with the Company	Accounting and management services	22,500	-	20,928	2,625
Total		\$ 83,700	\$ 61,200	\$ 157,799	\$ 68,145

Amounts owing to related parties are non-interest bearing, unsecured, and have no fixed terms of repayment. The changes during the period were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

9. FINANCIAL INSTRUMENTS

The fair value of the Company's cash, marketable securities, receivable and trade and other payables approximate their carrying values.

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash and marketable securities are measured using level 1 inputs. There were no transfers between levels 1, 2 and 3.

ORESTONE MINING CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2018

(Expressed in Canadian dollars)

9. FINANCIAL INSTRUMENTS, (Continued)

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, interest risk and market risk.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to fulfil an obligation causing the other party to incur a financial loss. The Company is exposed to credit risks arising from its cash holdings, marketable securities and receivables. The Company manages credit risk by placing cash with major Canadian financial institutions. Receivables (excluding GST) are due from the Government of Canada and for reimbursements. Management believes that credit risk related to these amounts is low.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital to continue its operations and discharge its commitments as they become due.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash and cash equivalents, primarily through private placements. The Company access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

(c) Interest rate risk

Interest rate risk is the risk that an investment's value will change due to a change in the level of interest rates. The Company's exposure to interest rate risk is minimal.

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: currency risk and price risk. The Company is not subject to currency risk as the functional currency is the Canadian dollar. The Company does not use any form of derivative or hedging instruments to reduce its foreign currency risk. The Company is not affected by price risk.

(e) Management of industry risk

The Company is engaged primarily in the mineral exploration field and manages related industry risk issues directly. The Company is potentially at risk for environmental reclamation and fluctuations in commodity based market prices associated with resource property interests. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements.

ORESTONE MINING CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2018

(Expressed in Canadian dollars)

10. CAPITAL MANAGEMENT

The Company considers its capital structure to be shareholders' equity represented by net assets over liabilities. The Company manages its capital structure based on the funds available to the Company, in order to support acquisition, maintenance, exploration, and development of exploration and evaluation assets.

The Board of Directors has not established any quantitative return on capital criteria for management, instead relying on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has interests are in the exploration stage so the Company is dependent on external financing to fund its activities. In order to carry out activities and administration, the Company will spend its existing working capital and raise additional amounts as needed.

The Company is not subject to externally imposed capital restrictions.

11. EVENTS AFTER THE REPORTING PERIOD

On October 17, 2018, the Company announced a non-brokered private placement consisting of up to 7,000,000 units ("Units") at a price of \$0.15 per Unit for aggregate gross proceeds of up to \$1,050,000 (the "Private Placement"). Each Unit will consist of one common share of the Company and one-half of one common share purchase warrant. Each whole Warrant will be exercisable for one common share of the Company at a price of \$0.30 for one year from the date of issuance. The Company may pay a cash fee of 6% of the proceeds of the Private Placement to certain arm's length finders. The Company plans to use the net proceeds of the Private Placement to advance exploration on the Company's Resguardo project in Chile and the Captain Project in British Columbia and for general working capital.

On December 7, 2018, the Company reduced the price per Unit of the previously announced Private Placement from \$0.15 to \$0.10 per Unit and the warrant exercise price from \$0.30 to \$0.15. The Private Placement will now consist of 10,000,000 Units for gross proceeds of \$1,000,000. All other terms remain unchanged.