



ORESTONE MINING CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS FOR THE NINE MONTHS ENDED OCTOBER 31, 2018

OVERVIEW AND INTRODUCTORY COMMENT

Orestone Mining Corp. ("Orestone" or the "Company") is a mineral exploration company incorporated on April 30, 2007 and subsequently listed on the TSX Venture Exchange under the trading symbol "ORS" on March 11, 2008.

This MD&A is dated December 28, 2018 and discloses specified information up to that date. Unless otherwise noted, all currency amounts are expressed in Canadian dollars. The following information should be read in conjunction with the unaudited condensed consolidated interim financial statements and the related notes for the nine months ended October 31, 2018 and the Company's audited consolidated financial statements for the year ended January 31, 2018 and the related notes thereto.

Additional information relevant to the Company and the Company's activities can be found on SEDAR at www.sedar.com, and/or on the Company's website at www.orestone.ca.

MAJOR INTERIM PERIOD OPERATING MILESTONES

Resguardo Project - Chile

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.

The Resguardo project is located 90 kilometres NE of the City of Copiapo in Region III, Chile, covers 2,905 hectares of mining concessions and can be explored year around. The project geology is of the same Middle Tertiary porphyry copper belt as CODELCO's El Salvador and Potrerillos mines 80 kilometres to the north. The project is located along the north/south Domeyko Fault System which hosts some of the largest copper deposits in the world and the confluence of regional fault systems coming out of the Maricunga Gold Belt which host numerous multi-million ounce gold and gold-copper deposits containing up to 25 million ounces gold.

Copper and gold mineralization (oxides and sulphides) have been discovered along two parallel 1000 metre structures featuring fracture-controlled chimney, manto and skarn style deposition. The structures



are approximately 80 metres apart, up to 50 metres wide with grades from 0.40 to 7% copper and up to 0.60 g/t gold. Near-surface oxide copper grading 1% to 7% was mined intermittently from pits and tunnels and sold to ENAMI in Copiapo for processing.

The surface mineralization at Resguardo is surrounded by a large hydrothermally altered zone of clay and silica covering over one square kilometre and is underlain by a large IP (induced polarization) chargeability anomaly measuring 450m x 1000m. The IP anomaly indicates the probable source of surface copper mineralization and a large undiscovered sulphide copper porphyry may lie at depth.

Previous exploration conducted to outline the porphyry target consisted of structural mapping, alteration mapping, geochemical sampling, geophysical surveys (ground magnetometer, IP and Resistivity) and 514 metres of reverse circulation drilling.

Future exploration will consist of a moderate program of geophysics followed by RC drilling

The Captain Project – British Columbia, Canada

The Captain property is a 100% owned property situated in central British Columbia about 150 kilometers north of the City of Prince George. The Captain project hosts several porphyry targets with the most advanced being the Admiral target. The last hole drilled on the Admiral target in 2013, Hole C13-03, intersected three metres of highly potassic-sericite altered monzonite porphyry which assays 0.226% copper and 1.90 g/t gold within an otherwise unaltered and un-mineralized post mineral alkali gabbro dyke (PMD).

The three-metre xenolith or rafted block is believed to have been transported from immediately adjacent rocks, it contains abundant sulphides and has a “strong Induced Polarization (IP) signature” associated with it while the unaltered and un-mineralized post mineral dyke has few sulphides or a “weak IP signature”.

Detailed geophysics consisting of ground magnetometer, IP and resistivity have outlined the Admiral target and the PMD can also be spatially located within it. The Admiral target is an intense IP anomaly measuring up to 25 mV/V covering an area of 1000 metres x 2000 metres open in all directions.

The gold to copper ratio observed from mineralized intervals observed on the property to date indicate a gold rich alkaline porphyry system which may be similar to the Cadia-Ridgeway Porphyry system of Newcrest Gold in New South Wales, Australia and indicate a potential porphyry system where copper grades of 0.2-0.3% and gold grades from 2-6 g/t are possible – a highly favorable and economic drill target.

Future exploration will consist of diamond drilling.

INTERIM PERIOD FINANCIAL CONDITION

Capital Resources

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 a 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.



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.

The Company is aware of the current conditions in the financial markets and has planned accordingly. The Company's current treasury and the future cash flows from equity issuances and the potential exercise of warrants and options, along with the planned developments within the Company will allow its efforts to continue throughout 2018 and 2019. If the market conditions prevail or improve, the Company will make adjustment to budgets accordingly.

Liquidity

As at October 31, 2018, the Company had working capital deficiency of \$205,199 (January 31, 2018 – working capital of \$1,991). As at October 31, 2018, cash totaled \$7,777, a decrease of \$99,105 from \$106,882 as at January 31, 2018. The decrease was due to: (a) operating expenses of \$98,459; and (b) exploration and evaluation assets expenditures of \$99,396 while being offset by (c) the proceeds from issuance of common shares, net of share issuance costs, totaling \$98,750.

Operations

For the three months ended October 31, 2018 compared with the three months ended October 31, 2017:

The Company recorded a comprehensive loss for the three months ended October 31, 2018 of \$95,583 (loss per share - \$0.01) compared to a comprehensive loss of \$44,971 (loss per share - \$0.01) for the three months ended October 31, 2017.

Excluding the non-cash share-based payments of \$28,146 (2017 - \$Nil), the expenses amounted to \$67,634 (2017 - \$59,608), an increase of \$8,026. The change in the expenses was mainly due to increases in: (a) salaries and consulting fees of \$36,447 (2017 – \$18,011); (b) investor relations fees of \$5,966 (2017 - \$4,320); and (c) office administration expenses of \$4,667 (2017 - \$3,008). All such increases are because the Company was active in its project search in other jurisdictions along with the professional support. The increases were offset by a decrease in: (a) filing fees of \$1,067 (2017 - \$9,069) and (b) accounting and legal fees of \$16,472 (2017 – \$21,480).

For the nine months ended October 31, 2018 compared with the nine months ended October 31, 2017:

The Company recorded a comprehensive loss for the nine months ended October 31, 2018 of \$263,412 (loss per share - \$0.02) compared to a comprehensive loss of \$120,813 (loss per share - \$0.02) for the nine months ended October 31, 2017.



Excluding the non-cash share-based payments of \$64,017 (2017 - \$Nil), the expenses amounted to \$199,592 (2017 - \$135,549), an increase of \$64,043. The change in the expenses was mainly due to increase in: (a) project search expenses of \$31,753 (2017 - \$4,140); (b) salaries and consulting fees of \$91,934 (2017 - \$54,349) and (c) office administration expenses of \$17,985 (2017 - \$11,000). All such increases are because the Company completed a private placement in fiscal 2018 and was active in its project search in other jurisdictions. However, these increases were offset by a decrease in investor relations of \$7,248 (2017 - \$15,965).

SIGNIFICANT RELATED PARTY TRANSACTIONS

During the quarter, there was no significant transaction between related parties.

COMMITMENTS, EXPECTED OR UNEXPECTED, OR UNCERTAINTIES

As of the date of the MD&A, the Company has no outstanding commitments.

Other than disclosed in this MD&A – Quarterly Highlights, the Company does not have any commitments, expected or unexpected, or uncertainties.

RISK FACTORS

In our MD&A filed on SEDAR May 30, 2018 in connection with our annual financial statements (the “Annual MD&A”), we have set out our discussion of the risk factors which we believe are the most significant risks faced by Orestone. An adverse development in any one risk factor or any combination of risk factors could result in material adverse outcomes to the Company's undertakings and to the interests of stakeholders in the Company including its investors. Readers are cautioned to take into account the risk factors to which the Company and its operations are exposed. To the date of this document, there have been no significant changes to the risk factors set out in our Annual MD&A.

DISCLOSURE OF OUTSTANDING SHARE DATA

The authorized share capital of the Company consists of an unlimited number of common shares without par value. The following is a summary of the Company's outstanding share data as at October 31, 2018 and December 21, 2018:

	Issued and outstanding	
	October 31, 2018	December 28, 2018
Common shares outstanding	12,546,108	12,546,108
Stock options	1,135,000	1,135,000
Warrants	4,491,667	4,491,667
Fully diluted common shares outstanding	18,172,775	18,172,775

QUALIFIED PERSON

The technical information reported in this MD&A has been reviewed and approved by Mr. Gary Nordin P. Geo., the Company's Senior Consulting Geologist. Mr. Nordin is a Professional Geoscientist and member of the Professional Engineers and Geoscientist Association of British Columbia (APGECB) and a qualified person as defined by NI 43- 101.



Cautionary Statements

This document contains “forward-looking statements” within the meaning of applicable Canadian securities regulations. All statements other than statements of historical fact herein, including, without limitation, statements regarding exploration results and plans, and our other future plans and objectives, are forward-looking statements that involve various risks and uncertainties. Such forward-looking statements include, without limitation, our estimates of exploration investment, the scope of our exploration programs, and our expectations of ongoing administrative costs. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company’s documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date the statements are made, and we do not undertake any obligation to update forward-looking statements should conditions or our estimates or opinions change, except as required by law. Forward-looking statements are subject to risks, uncertainties and other factors, including risks associated with mineral exploration, price volatility in the mineral commodities we seek, and operational and political risks. Readers are cautioned not to place undue reliance on forward-looking statements.