

## **INTRODUCTORY COMMENT**

This is Management's Discussion and Analysis ("MD&A") for Orestone Mining Corp. ("Orestone" or the Company") and has been prepared based on information known to management as of January 2, 2017. This MD&A is intended to help the reader understand the consolidated financial statements of Orestone.

This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the nine months ended October 31, 2016 and the related notes and the audited consolidated financial statements for the year ended January 31, 2016 and the related notes, all of which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"). The MD&A provides a review of the performance of the Company for the nine months ended October 31, 2016.

Management is responsible for the preparation and integrity of the consolidated financial statements, including the maintenance of appropriate information system, procedures and internal controls. Management also ensures that the information used internally or disclosed externally, including the consolidated financial statements and MD&A, is complete and reliable.

The Company's board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management regularly to review the consolidated financial statements, including the MD&A, and to discuss other financial, operating and internal-control matters.

Throughout this report we refer from time to time to "Orestone", "the Company", "we", "us", "our" or "its". All these terms are used in respect of Orestone Mining Corp. which is the reporting issuer in this document. *We recommend that readers consult the "Cautionary Statement" on the last page of this report.*

All currency amounts are expressed in Canadian dollars unless otherwise noted.

Additional information relating to the Company can be found on SEDAR [www.sedar.com](http://www.sedar.com) and the Company's website [www.orestone.ca](http://www.orestone.ca).

## **FORWARD LOOKING STATEMENTS**

Certain statements contained in the following MD&A constitute forward-looking statements. Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those implied by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks as set out below.

The following forward looking statements have been made in this MD&A:

- Plans for exploration of the Company's properties;
- Speculation on future commodity prices;
- Management expectations of future activities and results.

## **HIGHLIGHTS**

The management team at Orestone is encouraged by past results of Orestone's exploration efforts and the following are the highlights on those results to the date of this MD&A:

- The Company has discovered and advanced a large gold/copper porphyry system in B.C., Canada during drilling campaigns completed in 2012, 2013 and 2014 on the 100% owned Captain Project in B.C., Canada.

**ORESTONE MINING CORP.**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the nine months ended October 31, 2016

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- The Company has 75 line kilometers of geophysics and 58 drill sites approved on the Captain Project by the BC Ministry of Energy and Mines.

**OUTLOOK**

The Company has planned exploration programs and continues to have field and data reviews of all its properties to assist the Company's determination of the best course of action for each of them.

**DESCRIPTION OF BUSINESS AND OVERALL PERFORMANCE**

Orestone Mining Corp. 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. To date the Company has focused on gold and copper/gold projects in the Quesnel Terrane of British Columbia.

The Company actively evaluates potential joint ventures, mergers, and acquisitions in search of opportunities to acquire significant new mineral properties.

During the nine months ended October 31, 2016, the Company continued to carefully manage its cash and corporate overhead.

**RESULTS OF OPERATIONS - MINERAL PROPERTIES**

To best understand Orestone's financial results, it is important to gain an appreciation for the significant events, transactions and activities which occurred on its mineral properties during and subsequent to the reporting period. These are summarized below.

**Captain Property**

The Captain Property and surrounding lands contain many airborne magnetic-high anomalies on ground previously worked by Placer Dome, Noranda and several junior resource companies during 1989 to 1996. Numerous airborne magnetic-high targets in the Quesnel Terrane are known to be related to underlying intrusions important for their relationship with copper-gold porphyry deposits such as Thompson Creek Metals' Mt. Milligan deposit immediately north of the Captain Property. Induced polarization ("IP") surveys over the airborne magnetic highs are a key method of identifying drill targets on the largely overburden covered Captain Property. Between 2008 and 2010, the Company undertook geochemical sampling, induced polarization and ground magnetic surveys, and limited percussion and diamond drilling. Detailed results are filed on Sedar.

In August, 2011, Orestone completed an IP/Resistivity and ground magnetics survey that consisted of a total of 30 kilometers of survey in six lines spaced 400 meters apart and was designed to expand upon previous geophysical surveys along logging roads. The objective of the survey was to better define the potential for copper-gold sulphide mineralization in the area surrounding diamond drill hole 09-05 which encountered potassic-altered volcanic and intrusive rocks. This vertical drill hole reached a depth of 137 meters with the last 3.1 meters encountering mineralized breccia grading 0.21 per cent copper and 0.35 grams per tonne (g/t) gold.

The results of the survey completed by Peter E. Walcott & Associates show three separate IP chargeability anomalies that flank magnetic high anomalies. The IP anomalies have widths of 1,000 meters or more that remain open, thus have yet to be fully outlined. The principal IP chargeability anomaly in the central portion of the survey area currently measures 1,000 meters by more than 4,000 meters and corresponds with a resistivity high. This coincident chargeability and resistivity high area is located on the western flank of a magnetic high interpreted to be a magnetite-bearing intrusive measuring 1,000 to 2,000 meters wide and in excess of five kilometers in strike length. This geophysical signature covering the central IP/resistivity high target on the Captain project is similar in nature to the geophysical signature of the MBX copper-gold deposit at Mt. Milligan. The geophysical report by Peter E. Walcott &

**ORESTONE MINING CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the nine months ended October 31, 2016

---

Associates also recommends additional work to define anomalies that are located to the east and west of the current grid area.

In December of 2011, the Company initiated a diamond drilling program that was completed in January 2012. The drill program consisted of 4 holes totaling 1,275 meters with the objectives to test the previously described anomalies. Overburden depth from all the drill holes was relatively uniform, averaging 45 meters, which is consistent with overburden depth from the previous drill hole 09-05. The best results from the drilling are found in drill hole C11-01 that consisted of 0.23 g/t gold and 0.03% copper over 87 meters that included 0.298 g/t gold and 0.09% copper over 43 meters.

The drill program was successful in confirming the presence of copper and gold mineralization within a sequence of altered rocks consistent with that found in economic copper-gold porphyry systems. To confirm the presence of favorable alteration, a suite of samples from three holes were sent out for petrographic analysis. The results of this study support the Company's interpretation that the alteration pattern from the drilling is indicating potential for economic mineralization and that more drilling is warranted.

In the fourth quarter of 2012, the Company completed 912.8 metres of diamond drilling in three holes in the East Mag or Admiral Target Area.

Vertical Hole C12-05 located 100 meters west of C11-01 was drilled to depth of 550.17 metres. The hole intersected bedrock at 63.7m; from 63.7m-150m sericite-carbonate altered volcanic rocks with 1-5% pyrite and minor chalcopyrite (copper mineral) were intersected; from 150m-550m moderate to strong potassic feldspar-actinolite-biotite and sericite-carbonate altered volcanics and monzonite porphyry dykes with finely disseminated magnetite-pyrite-chalcopyrite and blebby chalcopyrite and finely disseminated chalcopyrite in potassic feldspar altered veins and flooded zones. Magnetite is disseminated throughout and is associated with zones of pervasive, felted secondary actinolite-biotite. The above described four hundred meter mineralized intercept of finely disseminated and locally coarse blebby chalcopyrite increases in intensity down hole and remains open at depth.

Hole C12-05 returned two significant intervals of strong gold mineralization; the upper zone grading 0.65 g/t gold and 0.06% copper (on an uncut basis) over 118.8 meters and the lower zone grading 0.41 g/t gold and 0.07% copper (on an uncut basis) over 164.6 meters. The mineralization in hole C12-05 remains open to depth and analytical results are tabled below.

<b>Hole C12-05</b>	<b>From/To (meters)</b>	<b>Length (meters)</b>	<b>Copper (percent)</b>	<b>Gold grams/tonne</b>
Upper zone	88.1-206.9	118.8	0.06	0.65
Incl.	152.1-161.2	9.1	0.27	6.46
Lower zone	377.6-542.2	164.6	0.07	0.41
Incl.	499.5-505.6	6.1	0.51	4.45
Upper zone*	88.1-206.9	118.8	0.06	0.30
Lower zone*	377.6-542.2	164.6	0.07	0.32

\*High Gold Values Cut to 1.6 g/t

In January of 2013, the Company conducted a detailed 130 kilometer ground magnetic survey that was completed in February 2013. The magnetic survey was designed to define the magnetic anomaly within the area of the recent drill discovery of significant gold/copper mineralization.

This magnetic survey was successful in identifying new magnetic anomalies. Drilling conducted in late 2012 intercepted disseminated gold-copper mineralization associated with magnetic monzonite dyke swarms and strong potassic alteration conforming to the classic alkalic porphyry model. The data generated from the magnetic survey has defined the size and shape of the magnetic targets which are also related to moderate IP chargeability highs in excess of 10mV/V (millivolts/volts). Combined, this data has defined compelling drill targets which will allow future drilling efforts to focus on the magnetite/gold association.

The survey on the West Mag target area outlined three large magnetic highs over a northwesterly trending area measuring 2500m x 5000m, the largest and most significant, T9 measures 1000m x 4000m with a northwesterly strike

**ORESTONE MINING CORP.**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the nine months ended October 31, 2016

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length. These large targets lay four kilometers to the west of the Admiral target. It is believed they represent magnetite-potassic alteration and magnetic monzonite intrusives.

In July 2013, the Company completed a drilling campaign that consisted of three diamond drill holes totaling 642 meters. Holes C13-01 and C13-02 were drilled 400 metres respectively NW and SE of significant potassic alteration and copper gold mineralization intersected in previous holes C12-05 and C11-01. Hole C13-03 was drilled in the center of the Admiral target, a large magnetic high measuring 1000 metres by 1500 metres located 800 metres north of holes C12-05 and C11-01.

Hole C13-03 intersected an unaltered and un-mineralized post mineral alkalic gabbro dyke from the bedrock contact at 78.9m to 280.0m. At a depth of 204.9m to 207.9m a xenolith fragment of highly potassic-sericite altered monzonite porphyry was intersected which assays 0.226% copper and 1.90 g/t gold over three metres. The post mineral dyke is situated in the centre of the magnetic high and it is interpreted to measure 50 – 100 metres in thickness and 1000 meters in strike length and the xenolith fragment or rafted block is thought to have been transported from immediate adjacent rocks.

Hole 13-02 was drilled at an Azimuth of -70 NE across a strong magnetic anomaly and intersected two sections of potassic-sericite altered volcanic and monzonite dykes separated by a section of post mineral andesite dykes. The first mineralized and altered dyke was intersected from 32.4m to 66.4m for an interval of 34m with an average grade of 0.073% copper and 0.20 g/t gold while the second altered and mineralized dyke was intersected from 121.3m to 170.1m for an interval of 48.8m with an average grade of 0.055% copper and 0.35 g/t gold.

Hole C13-01 intersected intensely quartz-sericite-pyrite altered volcanics on the south margin of the Admiral target averaging 183 ppm Cu and 52 ppb Au.

The Company now has all permits in place to facilitate 75 line kilometers of geophysics with 58 sites approved for drilling.

**Todd Property**

The Todd Creek property is located in northwest British Columbia, approximately 35 kilometers northeast of the town of Stewart. The property is within the Jurassic Hazelton, similar to the geological environment that hosts several large and significant mineral deposits. These deposits include the Granduc Mine (historic producer), Eskay Creek Mine (historic producer) and Kerr-Sulphurets-Mitchell deposit. The Company believes that the Todd property has the potential to host significant mineral deposits of a type consistent with the other known deposits in the district.

On April 30, 2010, Orestone signed the Todd Creek Joint Venture Agreement with Goldeye Explorations Limited and Polar Star Mining Corporation and became the Manager of the Joint Venture, in which the Company holds a 51% interest, acquired through the purchase of Intuitive Exploration Inc. ("Intuitive"). The Company completed the acquisition with Intuitive on June 3, 2010 by way of a share exchange. As of June 3, 2010 Intuitive was the Company's wholly-owned subsidiary and the Company is the parent of Intuitive. The principle asset of Intuitive is the 51% ownership in the Todd Creek Venture. Under the Todd Creek option agreement, the Company earned its 51% interest in the Todd Property by making payments on the property aggregating \$180,000, issuing 170,000 shares and by incurring expenses related to the Todd Creek Property aggregating \$2,500,000. Geofine has a net smelter return royalty in the amount of 2.5%. The Todd Creek Joint Venture pays a \$25,000 advance on the above royalty to Geofine every November.

Dr. Mark Fedikow of Mount Morgan Resources Ltd. completed a NI 43-101 technical report on the Todd Property and the Todd Creek Report has been filed on SEDAR at [www.sedar.com](http://www.sedar.com). The author of the Todd Creek Report, Dr. Fedikow, is an independent Qualified Person under NI 43-101.

On December 15, 2015 the Company sold its interest in the Todd Creek to Millrock Resources Inc. ("Millrock").

Millrock purchased a 100% royalty-free interest in the Todd Creek Joint Venture for C\$100,000 (of which \$35,100 is paid to Geofine to satisfy prior obligations) cash and 888,889 Millrock common shares distributed on a pro-rata basis

**ORESTONE MINING CORP.**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the nine months ended October 31, 2016

---

according to the joint venture ownership (Goldeye Explorations Limited – 24.5%, Revelo Resources Corp. – 24.5%, and Orestone Mining Corp. – 51%). The Company's portion received was \$33,500 and 453,333 shares of Millrock.

**Estrella de Oro Property**

On January 16, 2014, the Company signed a five year option agreement with Kootenay Silver Inc. to earn a 60% interest in the 700 hectare Estrella de Oro gold exploration property located in Sonora State, Mexico approximately 200 kilometers southeast of the city of Hermosillo.

In March of 2014, the Company completed an initial soil geochemistry program consisting of a grid covering an area of 500 metres by 700 metres. Results show a gold anomaly approximately 600 long by 100 to 150 metres wide that corresponds with previous positive surface sample results.

In August of 2014, the Company executed a trenching program consisting of 11 trenches of varying lengths totalling approximately 350 metres to test various targets developed through previous soil geochemistry, geological mapping and surface sample work.

In October 2014, the Company announced it had completed an initial soil geochemistry program consisting of a grid covering an area of 500 metres by 700 metres. The property did not appear to host the potential for a bulk-tonnage gold system in an order of magnitude initially anticipated.

In October 2014, the Company advised Kootenay that it will not be proceeding with the option agreement and wrote-off all \$65,881 (2013 - \$Nil) of project expenditures on the Estrella de Oro Property.

**QUALIFIED PERSON**

The technical information reported in this MD&A has been reviewed and approved by Mr. Ross Zawada P. Geo., the Company's Exploration Manager. Mr. Zawada 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.

**IMPAIRMENT OF LONG-LIVED ASSETS**

The Company completed an impairment analysis as at October 31, 2016, which considered the indicators of impairment in accordance with IFRS 6, "Exploration for and Evaluation of Mineral Resources," and IAS 36, "Impairment of Assets". Management concluded that no impairment charge was required because:

- there have been no significant changes in the legal factors or climate that affects the value of the properties;
- all property rights remain in good standing;
- there have been no significant changes in the projections for the properties;
- the Company intends to continue its exploration and development plans on its properties.

**RISKS AND UNCERTAINTIES**

Below are some of the risks and uncertainties that the Company faces.

**Industry**

The Company is engaged in the exploration of mineral properties, an inherently risky business. There is no assurance that a mineral deposit will ever be discovered and economically produced. Most exploration projects do not result in the discovery of commercially mineable ore deposits. If market conditions make financings difficult, it may be difficult for the Company to find joint venture partners. The Company may be unsuccessful in identifying and acquiring projects of merit.

**ORESTONE MINING CORP.**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the nine months ended October 31, 2016

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Mineral resource estimates

The estimation of reserves and mineralization is a subjective process and the accuracy of any such estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. No assurances can be given that the volume and grade of reserves recovered and rates of production will not be less than anticipated.

Gold and metal prices

The price of gold is affected by numerous factors including central bank sales, producer hedging activities, the relative exchange rate of the U.S. dollar with other major currencies, supply and demand, political, economic conditions and production levels. In addition, the price of gold has been volatile over short periods of time due to speculative activities. The prices of other metals and mineral products that the Company may explore have the same or similar price risk factors.

Cash flows and additional funding requirements

The Company currently has no revenue from operations. If any of its exploration programs are successful and optionees of properties complete their earn-in, the Company would have to provide its share of ongoing exploration and development costs in order to maintain its interest or be reduced in interest or to a royalty interest. Additional capital would be required to put a property into commercial production. The sources of funds currently available to the Company are equity capital or the offering of an interest in its projects to another party. Current economic conditions have limited the Company's ability to access financing through equity markets and this has created significant uncertainty as to the Company's ability to fund ongoing operations for the next operating period.

Environmental

The Company's exploration and development activities are subject to extensive laws and regulations governing environment protection. The Company is also subject to various reclamation-related conditions. Although the Company closely follows and believes it is operating in compliance with all applicable environmental regulations, there can be no assurance that all future requirements will be obtainable on reasonable terms. Failure to comply may result in enforcement actions causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures. Intense lobbying over environmental concerns by NGOs has caused some governments to cancel or restrict development of mining projects. Current publicized concern over climate change may lead to carbon taxes, requirements for carbon offset purchases or new regulation. The costs or likelihood of such potential issues to the Company cannot be estimated at this time.

Laws and regulations

The Company's exploration activities are subject to extensive federal, provincial, state and local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters in all the jurisdictions in which it operates. These laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. The Company applies the expertise of its management, advisors, employees and contractors to ensure compliance with current laws.

Title to mineral properties

While the Company has investigated title to its mineral properties, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. Unresolved native land claim issues in Canada may affect its properties in this jurisdiction in the future.

Possible dilution to present and prospective shareholders

The Company's plan of operation, in part, contemplates the financing of its business by the issuance of securities and possibly, incurring debt. Any transaction involving the issuance of previously authorized but unissued shares of common stock, or securities convertible into common stock, would result in dilution, possibly substantial, to present and prospective holders of common stock. The Company may seek joint venture partners to fund in whole or in part exploration projects. This dilutes the Company's interest in properties. This dilution is undertaken to spread or minimize the risk and to expose the Company to more exploration plays. However, it means that any increased market capitalization or profit that might result from a possible discovery would be shared with the joint venture partner. There is no guarantee that the Company can find a joint venture partner for any property.

**ORESTONE MINING CORP.**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the nine months ended October 31, 2016

Material risk of dilution presented by large number of outstanding share purchase options and warrants

At October 31, 2016, there were 2,630,000 stock options outstanding. Directors and officers hold 1,575,000 of the options and 1,055,000 are held by employees and consultants of the Company.

Trading volume

The relatively low trading volume of the Company's shares reduces the liquidity of an investment in its shares.

Volatility of share price

Market prices for shares of early stage companies are often volatile. Factors such as announcements of mineral discoveries or discouraging exploration results, changes in financial results, and other factors could have a significant effect on share price.

Competition

There is competition from other mining exploration companies with operations similar to the Company's. Many of the companies with which it competes have operations and financial strength greater than the Company's.

Dependence on management

The Company depends heavily on the business and technical expertise of its management.

Conflict of interest

Some of the Company's directors and officers are directors and officers of other natural resource or mining-related companies. These associations may give rise from time to time to conflicts of interest. As a result of such conflict, the Company may miss the opportunity to participate in certain transactions.

**SUMMARY OF SELECTED ANNUAL FINANCIAL INFORMATION**

	Year ended January 31, 2016	Year ended January 31, 2015	Year ended January 31, 2014
	Under IFRS \$	Under IFRS \$	Under IFRS \$
Net sales / total revenues	-	-	-
Income (loss) before discontinued operations and extraordinary items	(2,526,899)	(378,809)	(571,151)
Per share basis	(0.07)	(0.01)	(0.02)
Diluted per share basis	(0.07)	(0.01)	(0.02)
Net income or loss, total	(2,526,899)	(378,809)	(571,151)
Per share basis	(0.07)	(0.01)	(0.02)
Diluted per share basis	(0.07)	(0.01)	(0.02)
Total assets	1,522,398	4,073,496	4,409,542
Total long-term financial liabilities	-	-	-
Cash dividends declared per share	-	-	-

**SUMMARY OF QUARTERLY FINANCIAL INFORMATION**

Fiscal quarter ended	Revenues*	Net income (loss)**	Loss per share from continuing operations	Net comprehensive income (loss)	Net income (loss) per share
	\$	\$	\$	\$	\$
31-Oct-16	Nil	(37,466)	(0.00)	(37,414)	(0.00)
31-Jul-16	Nil	(38,123)	(0.00)	(28,746)	(0.00)
30-Apr-16	Nil	(41,506)	(0.00)	3,879	(0.00)
31-Jan-16	Nil	(51,101)	(0.00)	(2,337,907)	(0.00)

**ORESTONE MINING CORP.**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the nine months ended October 31, 2016

31-Oct-15	Nil	(55,999)	(0.00)	(53,474)	(0.00)
31-Jul-15	Nil	(53,122)	(0.00)	(53,027)	(0.00)
30-Apr-15	Nil	(82,590)	(0.00)	(82,481)	(0.00)
31-Jan-15	Nil	(64,801)	(0.00)	(66,757)	(0.00)

\* Revenues exclude interest income.

\*\* Net income (loss) before income taxes.

Results of operation for the three months ended October 31, 2016 compared to the three months ended October 31, 2015:

For the quarter ended October 31, 2016 the Company recorded a net comprehensive loss of \$37,414 (loss per share - \$0.00) compared to \$53,474 (loss per share - \$0.00) in the second quarter of fiscal 2015.

During the three months ended October 31, 2016, the Company incurred \$37,466 (2015 - \$55,999) in general and administrative expenses, of which \$Nil (2015 - \$12) relates to non-cash depreciation. Excluding the non-cash items, the Company's general and administrative expenses amounted to \$37,466 compared to 2015's \$55,987, a decrease of \$18,521. The decrease was primarily due to a decrease of \$16,976 in salaries and benefits due to less salaried employees, a decrease in office and miscellaneous expenses of \$4,977 due to a decrease in rent and miscellaneous office expenses; offset by an increase of \$6,399 in professional fees paid for accounting and legal services. Other administrative expenditures varied over the period but the overall effect of these variances was not material.

During the three months ended October 31, 2016, the Company spent \$19,144 in exploration costs compared to \$1,277 exploration costs incurred in same period in fiscal 2016.

Results of operation for the nine months ended October 31, 2016 compared to the nine months ended October 31, 2015:

During the nine months ended October 31, 2016, the Company incurred losses of \$62,281 (\$0.002 loss per share) compared to a net loss of \$188,982 (\$0.005 loss per share) for the same period in fiscal 2015. The decrease in loss of \$126,701 is primarily due to the \$54,657 gain in the sale of the shares received from Millrock for the sale of the Todd Creek JV mineral rights; and a decrease in general expenses due to the Companies continued efforts to conserve cash.

During the nine months ended October 31, 2016, the Company incurred \$117,095 (2015 - \$191,711) in general and administrative expenses, of which \$113 (2015 - \$36) relates to non-cash depreciation. Excluding the non-cash items, the Company's general and administrative expenses amounted to \$116,982 compared to 2015's \$191,675 a decrease of \$74,693. The decrease was primarily due to a decrease of \$51,691 in salaries and benefits due to a reduction in the number of salaried employees, a decrease in investor relation expenses of \$13,722 due to the reduction of attendances to shows and conferences and the reduction of fees paid to external advisors, a decrease in office expenses of \$12,952 due to the Company's continued efforts to curtail expenses and conserve cash, a decrease of project search expenses of \$8,768; offset by an increase in professional fees of \$13,425 due to the an increase in audit and legal fees. Other administrative expenditures varied over the periods but the overall effect of these variances was not material.

During the nine months ended October 31, 2016, the Company spent \$19,144 in exploration costs compared to \$3,025 exploration costs incurred in the same period in fiscal 2015.

**LIQUIDITY AND CAPITAL RESOURCES**

At October 31, 2016, the Company had current assets of \$89,377 and current liabilities of \$99,495 (January 31, 2016 - \$156,546 and \$52,304 respectively). Working capital deficiency was \$10,158 (Working Capital - January 31, 2016 - \$104,242). Cash and cash equivalents totaled \$49,904 as at October 31, 2016, an increase of \$38,032 from \$11,872 as at January 31, 2016. The increase was a result of (a) \$156,503 received for the net proceeds of a portion of the Millrock shares offset by (b) \$99,327 (2015 - \$148,470) spent in its operating activities including changes in working capital, and (c) \$19,144 (2015 - \$3,025) spent on the Company's mineral properties and property, plant and equipment.



**ORESTONE MINING CORP.**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the nine months ended October 31, 2016

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The Company has obligations pursuant to option agreements it has entered into. The Company has no contractual commitments to satisfy these obligations, however it would forfeit any interest it may have earned to that date should it decide not to satisfy these obligations. Detailed terms of those agreements and the obligations are included in the financial statements.

Management estimates that the current cash position and future cash flows from warrants and options will be sufficient for the Company to carry out its anticipated exploration and operating plans through the end of its fiscal 2017.

There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order to the Company to achieve its stated business objectives.

**OFF BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements that would potentially affect its operations or financial condition of the Company.

**OUTSTANDING SHARE DATA**

Common Shares

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

	<b>Number of common shares issued and outstanding</b>	<b>Share Capital Amount</b>
January 31, 2015	37,772,233	\$6,148,828
January 31, 2016	37,772,233	\$6,148,828
October 31, 2016	37,772,233	\$6,148,828

Stock options

The Company has adopted an incentive share option plan for its directors, officers, employees and consultants under which the Company may grant options to acquire a maximum number of common shares equal to 10% of the total issued and outstanding common shares of the Company.

As at October 31, 2016, the Company had a total of 2,630,000 options outstanding with exercise prices ranging from \$0.10 to \$0.15 expiring between October 26, 2017 and October 8, 2018. If all the remaining outstanding options were exercised, the Company's available cash would increase by \$355,750.

As at October 31, 2016 stock options were outstanding as follows:

<u>Number of shares</u>	<u>Exercise price (\$)</u>	<u>Expiry date</u>
1,855,000	0.15	October 26, 2017
625,000	0.10	June 28, 2018
150,000	0.10	October 8, 2018
2,630,000		

At the date of this MD&A, there were 37,772,233 common shares issued and outstanding and 401,402,233 common shares outstanding on a diluted basis.

**RELATED PARTY TRANSACTIONS**

- a) Key management personnel compensation

**ORESTONE MINING CORP.**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the nine months ended October 31, 2016

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:

	October 31, 2016	October 31, 2015
	\$	\$
Short-term employee benefits	50,400	97,920
Share-based payments	-	-
	50,400	97,920

b) Other related party transactions

Amounts receivable from:	Service	Total charged as at		Balance outstanding as at	
		October 31, 2016	October 31, 2015	October 31, 2016	January 31, 2016
		\$	\$	\$	\$
A public company with a director in common with the Company	Rent and Miscellaneous	-	12,670	-	-
A private company controlled by a director of the Company (Note 4)	Rent	-	3,271	26,540	31,571
A public company with a director in common with the Company (Note 4)	Rent	21,000	3,271	3,343	3,343
		21,000	19,212	29,843	34,914

Amounts owing to/from related parties are non-interest bearing, unsecured, and have no fixed terms of repayment.

**PROPOSED TRANSACTIONS**

The Company does not currently have any proposed transactions approved by the board of directors. All current transactions are fully disclosed in the financial statements for the nine months ended October 31, 2016.

**OTHER ITEMS NOT RELATED TO ONGOING BUSINESS ACTIVITIES**

*Changes in the direction of business*

Since incorporation on April 30, 2007, the Company is and continues to be primarily in the exploration stage with respect to its mineral properties.

**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company's financial instruments consist of cash, receivables, mineral tax credit recoverable, loans payable, accounts payable and due to related parties. The carrying value of these financial instruments approximates their fair value and are measured based on Level 1 of the fair value hierarchy. The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest risk.

**ORESTONE MINING CORP.**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the nine months ended October 31, 2016

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**Management of Financial Risk**

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

*Credit Risk*

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation causing the other party to incur a financial loss. The Company is exposed to credit risks arising from its cash holdings and receivables. The Company manages credit risk by placing cash with major Canadian financial institutions. Receivables are due from the Government of Canada and for reimbursements. Management believes that credit risk related to these amounts is low. As at October 31, 2016, the Company's maximum exposure to credit risk is the carrying value of its cash equivalents and accounts receivable.

*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 relates to its ability to maintain the current rate of interest on its short-term investment.

*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.

*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 three types of risk: currency risk, interest rate 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.

*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.

*Commodity Price Risk*

The ability of the Company to explore its mineral properties and the future profitability of the Company are directly related to the market price of gold and other precious metals.

**Management of Capital**

The Company manages its common shares, stock options and warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its mineral properties to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares and, acquire or dispose of assets.

**ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of the condensed consolidated interim financial statements requires management to make estimates and judgments and form assumptions that affect the reported amounts and other disclosures in these financial statements. The estimates and associated assumptions are based on historical experience and various other factors that

**ORESTONE MINING CORP.**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the nine months ended October 31, 2016

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are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates used in the preparation of these financial statements include, among others, the recoverability of accounts receivable and deferred income tax assets, impairment of assets, measurement of share-based payments and valuation of reclamation obligations.

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting judgments include the expected economic lives of and the estimated future operating results and net cash flows from exploration properties and equipment.

#### **New, Amended and Future IFRD pronouncements**

The Company has adopted the following revised standards, effective February 1, 2015. There was no consequential impact upon adoption.

IFRS 8 – Operating Segments – was amended to require (i) disclosure of judgements made by management in aggregating segments, and (ii) a reconciliation of segment assets to the entity's assets when segment assets are reported.

IAS 24 – Related Party Transactions – was amended to (i) revise the definition of “related party” to include an entity that provides key management personnel services to the reporting entity or its parent, and (ii) clarify related disclosure requirements.

The following standards have been published and are mandatory for the Company's annual accounting periods beginning on or after February 1, 2018:

IFRS 7 – Financial Instruments – Disclosures - was amended to require additional disclosures on transition from IAS 39 to IFRS 9. The Company is currently evaluating the extent of the impact of the adoption of this standard.

IFRS 9 – Financial Instruments - introduces new requirements for the classification and measurement of financial assets and liabilities. The Company is currently evaluating the extent of the impact of the adoption of this standard.

The application of these new and revised IFRS has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

#### **OTHER MD&A DISCLOSURE REQUIREMENTS**

##### Information available on SEDAR:

As specified by National Instrument 51-102, Orestone advises readers of this MD&A that important additional information about the Company is available on the SEDAR website ([www.sedar.com](http://www.sedar.com)).

##### Disclosure by venture issuer without significant revenue

An analysis of the material components of the Company's general and administrative expenses is disclosed in the financial statements to which this MD&A relates. An analysis of the material components of the mineral property and deferred exploration costs of the Company's mineral properties for its first two completed financial years is disclosed in Note 6 to the financial statements to which this MD&A relates.

**ORESTONE MINING CORP.**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the nine months ended October 31, 2016

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Going concern issue

The Company is in the exploration stage and has no revenue or income from operations. The Company has limited capital resources and has to rely upon the sale of equity and/or debt securities for cash required for exploration and development purposes, for acquisitions and to fund the administration of the Company. Since the Company does not expect to generate any revenues from operations in the near future, it must continue to rely upon the sales of its equity or debt securities or joint venture agreements to raise capital. It follows that there can be no assurance that financing, whether debt or equity, will be available to the Company in the amount required by the Company at any particular time or for any period and that such financing can be obtained on terms satisfactory to the Company.

The Company's financial statements have been prepared on 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 obtain the necessary financing to meet its ongoing commitments and further its mineral exploration programs.

The Company may encounter difficulty sourcing future financing in light of the recent economic downturn. The current financial equity market conditions and the inhospitable funding environment make it difficult to raise capital through the private placements of shares. The junior resource industry has been severely affected by the world economic situation as it is considered speculative and high-risk in nature, making it even more difficult to fund. While the Company is using its best efforts to achieve its business plans by examining various financing alternatives, there is no assurance that the Company will be successful with any financing ventures.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. Management of the Company, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as at October 31, 2016, as required by Canadian securities law. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of October 31, 2016, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws were recorded, processed, summarized and reported within the time period specified by those laws and that material information was accumulated and communicated to management of the Company, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow for accurate disclosure to be made on a timely basis.

Changes in Internal Control over Financial Reporting

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Chief Executive Officer and Chief Financial Officer have concluded that there has been no change in the Company's internal control over financial reporting during the period ended October 31, 2016 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. As of October 31, 2016, the Company's internal control over financial reporting was effective.

Cautionary Statement

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 the Company's other future plans and objectives, are forward-looking statements that involve various risks and uncertainties. Such forward-looking statements include, with limitation, (i) estimates of exploration investment and scope of exploration programs, and (ii) estimates of stock-based compensation expense. 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

**ORESTONE MINING CORP.**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the nine months ended October 31, 2016

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any obligation to update forward-looking statements should conditions or our estimates or opinions change. 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, political and environmental risks.

Dated: January 2, 2017