



## ORESTONE MINING CORP.

### MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS FOR THE SIX MONTHS ENDED JULY 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 September 25, 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 six months ended July 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](http://www.sedar.com), and/or on the Company's website at [www.orestone.ca](http://www.orestone.ca).

#### MAJOR INTERIM PERIOD OPERATING MILESTONES

The Company continues to assess the best alternatives for its portfolio of gold-copper exploration targets on the Captain property, a 100% owned property situated in central British Columbia about 150 kilometers north of the City of Prince George.

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 September 5, 2018, the Company announced that it had 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 95 km north east of Copiapó in northern Chile, on the Middle Tertiary porphyry copper belt, which hosts the large scale El Salvador and Potrerillos copper mines. The project



consists of 2,905 hectares (11.3 square miles) of mineral concessions covering historic workings focused on oxide copper production at an elevation of 3000 metres.

Copper and gold grading 1-2% and up to 0.60 g/t respectively was mined in a shallow open pit measuring 150 x 60 metres and several tunnels to 50 metres below surface. This oxide copper mineralization at surface is surrounded by a large hydrothermally altered zone of clay and silica covering one square kilometre which is underlain by a large IP chargeability anomaly indicating possible undiscovered sulphide copper porphyry at depth. This target has not been tested by previous exploration.

The IP chargeability anomaly measures from 15-30 mv/V, is 300 to 600 metres wide by 1000 metres in strike length; begins at a depth of approximately 200 metres and is open to the southwest.

Mineralization at Resguardo consists of fracture-controlled chimney and manto style oxide and sulphide copper along 1000 metres of strike length; two parallel structures up to 50 metres in width have grades from 0.40 to 2% copper. Previous exploration consisted of structural and alteration mapping, geochemical sampling, a three line 5.6 km IP/Resistivity survey, a 105 km ground magnetometer survey and two reverse circulation drill holes. The holes were drilled to a depth of 250 metres on the north fringe of the IP anomaly and intersected several tabular copper manto zones. The most significant zone, at a depth of 104 metres, grades 0.49% copper over 22 metres including 12 metres grading 1.3% copper.

The Resguardo property has similarities to the Candelaria copper mine at Copiapo where a large sulphide copper deposit was discovered by drilling strong IP chargeability anomalies beneath surface copper mineralized manto zones.

The Company's initial exploration program will consist of additional geophysical IP/Resistivity surveys to provide more detail and to test the extension to the southwest. Drilling will follow to test the sulphide potential of this large target.

## **INTERIM PERIOD FINANCIAL CONDITION**

### Capital Resources

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. If the market conditions prevail or improve, the Company will make adjustment to budgets accordingly.

### Liquidity

As at July 31, 2018, the Company had working capital deficiency of \$42,698 (January 31, 2018 – working capital of \$1,991). As at July 31, 2018, cash totaled \$116,452, an increase of \$9,570 from \$106,882 as at January 31, 2018. The increase was due to the proceeds from issuance of common shares, net of share issuance costs, totaling \$98,750 while being offset by (a) operating expenses of \$84,848 and (b) exploration and evaluation assets expenditures of \$4,332.



### Operations

#### **For the three months ended July 31, 2018 compared with the three months ended July 31, 2017:**

The Company recorded a comprehensive loss for the three months ended July 31, 2018 of \$88,113 (loss per share - \$0.01) compared to a comprehensive loss of \$42,543 (loss per share - \$0.01) for the three months ended July 31, 2017.

Excluding the non-cash share-based payments of \$22,932 (2017 - \$Nil), the expenses amounted to \$65,181 (2017 - \$42,647), an increase of \$22,534. The change in the expenses was mainly due to increases in: (a) project search expenses of \$5,005 (2017 - \$Nil); (b) filing fees of \$6,353 (2017 - \$612); and (c) salaries and consulting fees of \$37,696 (2017 - \$18,293). 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 investor relations of \$798 (2017 - \$9,465).

#### **For the six months ended July 31, 2018 compared with the six months ended July 31, 2017:**

The Company recorded a comprehensive loss for the six months ended July 31, 2018 of \$167,829 (loss per share - \$0.01) compared to a comprehensive loss of \$75,842 (loss per share - \$0.01) for the six months ended July 31, 2017.

Excluding the non-cash share-based payments of \$35,871 (2017 - \$Nil), the expenses amounted to \$131,958 (2017 - \$75,946). The change in the expenses was mainly due to increase in: (a) project search expenses of \$28,738 (2017 - \$420); (b) filing fees of \$13,913 (2017 - \$6,721); (c) salaries and consulting fees \$55,487 (2017 - \$36,338) and (d) professional fees of \$19,220 (2017 - \$12,825). 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 \$1,282 (2017 - \$11,645).

### **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 July 31, 2018 and September 25, 2018:

	Issued and outstanding	
	July 31, 2018	September 25, 2018
Common shares outstanding	12,546,108	12,546,108
Stock options	885,000	885,000
Warrants	4,491,667	4,491,667
Fully diluted common shares outstanding	17,922,775	17,922,775

## 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 (APGEC) 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.