



ORESTONE MINING CORP.

**MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS
FOR THE SIX MONTHS ENDED JULY 31, 2020**

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 29, 2020 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, 2020 and the Company's audited consolidated financial statements for the year ended January 31, 2020 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

The Captain Property, British Columbia, Canada

On September 2, 2020, the Company received an approved 2020 Notice of Work (NOW) from the BC Ministry of Energy Mines and Petroleum Resources for 24 drill locations to test the 10 large magnetic high targets located on the east and west flanks of a central magnetic diorite intrusive. Additionally, an Assessment Report covering the 2019 drilling has been filed with a portion of the exploration expenditures applied to extend the expiry dates of key mineral claims until 2030.

On June 17, 2020, the Company announced that target modeling for an upcoming drill program on the Captain Project had been refined and specific targets were being selected. As part of the data review and planning process several drill holes have been re-logged leading to a re-interpretation of previous mineralized drill intercepts. There are 10 large target areas outlined (T1-T10) with strong magnetic anomalies at the Captain Project with only two targets drill tested to date. These magnetic anomalies are also associated with moderate IP chargeability anomalies from 10-15mv/V and are potentially related to mineralized monzonite porphyries and breccia's.

Previous drilling on two of the eastern anomalies in 2012 and 2019 intersected three intervals 90 to 164 metres in length of highly altered volcanics and alkaline porphyry dykes with values averaging 0.30 g/t gold and 0.06 % copper. In Hole C12-05 intervals of 6.1 and 9.1 metres adjacent to the porphyry dykes encountered higher grades of 4.45g/t and 6.46 g/t gold with 0.51% and 0.27% copper respectively.

Drill holes C13-02 and C19-07 drilled in target T2 were relogged defining hydrothermal breccia zones 20-30 metres wide associated with intense potassic-magnetite-carbonate alteration and gold-copper mineralization. Mineralization intersected in holes C13-02 and C19-07 measures 70 metres in width with an average grade of 0.29 g/t Au and 0.06% copper with a 23 metre wide zone grading 0.56 g/t gold and 0.12 % copper.



Resguardo Property, City of Copiapo, Chile

On August 27, 2020, the Company announced results from the 1100-metre reverse circulation (RC) drill program at Resguardo. The drill program tested the two large exploration targets outlined on the property to date but failed to locate the source of the copper-gold mineralization mined in historic workings.

Reverse circulation (RC) drill hole RE-20-01 was drilled to a depth of 400 metres approximately 500 metres southwest of the historic oxide copper mine on the centre of the strongest portion of the IP anomaly on geophysical Section 4. The location is in a talus covered area just to the west of a strong NW trending linear. The hole collared in gray-green andesites interlayered with sedimentary sandstones and tuffs and intruded by diorite bodies. From 60 metres depth, the andesite/sedimentary units are weakly to moderately silicified with trace to 2% fine-grained pyrite that remain open to depth. Additionally, a 10 meter wide zone with 2% magnetite and trace chalcopyrite was intersected from 126 to 136. Assay values were low with 2m to 8m sections running anomalous values of up to 219 ppm copper with one 6m section of magnetite rich andesite grading 0.245% copper.

RC drill hole RE-20-02 drilled to a depth of 400m is located approximately 600 metres SW of hole RE-20-01 near the western end of the IP chargeability anomaly on geophysical section line 1 within an area of quartz kaolinite-sericite alteration on a strong NW trending linear. The hole, collared in talus, intersected thick alternating sections of green coloured andesite flows and sedimentary sections of volcanogenic sandstone and dark gray to green coloured fine grained tuffs. The sequences are weakly silicified with trace to 1% fine-grained pyrite. Assay values were low with isolated 2m sections with anomalous values of up to 173 ppm copper.

RC drill hole RE-20-03 was drilled to a total depth of 300m in the SW Zone approximately 80 metres west of IP section line 7 approximately 1500 metres west of the main Resguardo IP anomaly. Prospecting outlined a large area of strong quartz - sericite stockworks and breccias associated with hydrothermally altered granodiorite intrusive and volcanics with copper oxides and limonite on the surface. Mapping showed the zone to have a length of 700 metres by a width of over 260 metres, remaining open in several directions. Hole RE-20-03 targeted a moderate chargeability anomaly of up to 9.5 mv/V starting at a depth of 150 metres to 200 metres with a coincident resistivity anomaly of up to 4500 Ohm*m. The hole intersected weakly silicified granodiorite with locally 1 to 2% fine grained disseminated pyrite. Assays contained no significant values.

Corporate

During these extraordinary times of travel restrictions, the closing of non-essential businesses and stay-at-home orders around the globe due to the COVID-19 viral pandemic, the Company's management team continues to explore its two primary assets, albeit at a more modest pace. The Company continues to encourage its staff and contractors to work from home, where possible, and to practice correct social distancing at the property sites, and is using this time to focus on initiatives that can be achieved efficiently.

INTERIM PERIOD FINANCIAL CONDITION

Capital Resources

During the six months ended July 31, 2020, the Company issued an aggregate of 444,546 common shares for gross proceeds of \$66,682 pursuant to the exercise of warrants.

On May 29, 2020, the Company completed a non-brokered private placement issuing 10,625,000 units ("Unit") at a price of \$0.08 per Unit for gross proceeds of \$850,000. Each Unit consisted of one common



share of the Company and one common share purchase warrant. Each warrant is exercisable for one common share of the Company at a price of \$0.12 until May 29, 2022. If the closing trading price of the shares on the TSX Venture Exchange (or such other stock exchange on which the shares may be listed) is at or greater than \$0.25 per share for any 20 consecutive trading days at any time commencing after September 29, 2020, the Company may accelerate the expiry date of the warrants by giving notice to the holders thereof and, in such case, the warrants will expire on the earlier of (a) the 10th trading day after the date on which such notice is given by the Company and (b) the original expiry date of the warrants. No finders' fees were paid in connection with the private placement. The Company incurred \$27,012 share issue costs related to this private placement.

On June 8, 2020, the Company granted 1,150,000 stock options to its directors, officers and consultants at an exercise price of \$0.12 for a period of 5 years expiring on June 8, 2025.

Subsequent to July 31, 2020, 2,086,875 warrants expired unexercised.

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 2020. If the market conditions prevail or improve, the Company will make adjustments to budgets accordingly.

Liquidity

As at July 31, 2020, the Company had working capital of \$730,822 (January 31, 2020 – working capital \$161,797). As at July 31, 2020, cash totaled \$715,855, an increase of \$556,436 from \$159,419 as at January 31, 2020. The increase was due to (a) net proceeds received from share issuances of \$889,710 and (b) the release of the reclamation bond of \$14,000, while being offset by (c) operating expenses of \$276,546 and (d) exploration and evaluation assets expenditures of \$70,728.

Operations

For the three months ended July 31, 2020 compared with the three months ended July 31, 2019:

The Company recorded a comprehensive loss for the three months ended July 31, 2020 of \$354,517 (loss per share - \$0.01) compared to a comprehensive loss of \$182,758 (loss per share - \$0.01) for the three months ended July 31, 2019.

Excluding the non-cash share-based compensation of \$190,404 (2019 - \$73,701), the expenses amounted to \$156,208 (2019 - \$132,378), an increase of \$23,830. The change in the expenses was mainly due to increases in: (a) salaries and consulting fees (2020 - \$100,833; 2019 - \$55,093); (b) professional fees (2020 - \$19,202; 2019 - \$15,016) and (c) travel expenses (2020 - \$5,126; 2019 - \$Nil). All such increases are because the Company was active in carrying out the exploration programs at its Captain property and Resguardo property, as well as completing a private placement. The increases were offset by a decrease in: (a) project search (2020 - \$Nil; 2019 - \$9,966) and (b) investor relations (2020 - \$17,098; 2019 - \$34,637).

For the six months ended July 31, 2020 compared with the six months ended July 31, 2019:

The Company recorded a comprehensive loss for the six months ended July 31, 2020 of \$459,385 (loss per share - \$0.01) compared to a comprehensive loss of \$277,177 (loss per share - \$0.01) for the six months ended July 31, 2019.



Excluding the non-cash share-based compensation of \$195,428 (2019 - \$82,507), the expenses amounted to \$257,922 (2019 - \$217,991), an increase of \$39,931. The change in the expenses was mainly due to increases in: (a) salaries and consulting fees (2020 - \$152,032; 2019 - \$88,581); (b) marketing expenses (2020 - \$5,743; 2019 - \$Nil) and (c) office expenditures (2020 - \$21,801; 2019 - \$17,200). All such increases are because the Company was active in carrying out the exploration programs at its Captain property and Resguardo property, as well as completing a private placement. The increases were offset by decreases in: (a) project search (2020 - \$Nil; 2019 - \$14,966); (b) investor relations (2020 - \$31,267; 2019 - \$37,468) and (c) travel expenses (2020 - \$7,262; 2019 - \$18,836).

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 29, 2020 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, 2020 and September 29, 2020:

	Issued and outstanding	
	July 31, 2020	September 29, 2020
Common shares outstanding	39,247,829	39,247,829
Stock options	3,400,000	3,400,000
Warrants	22,717,420	20,630,545
Fully diluted common shares outstanding	65,365,249	63,278,374

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 Association of Professional Engineers and Geoscientists of the Province of British Columbia (APGEB) 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.