

**WILDSKY RESOURCES INC.**  
**(FORMERLY CHINA MINERALS MINING CORPORATION)**

**(An Exploration Stage Entity)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the Nine Months Ended**

**August 31, 2018**

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## **GENERAL**

Wildsky Resources Inc. (formerly China Minerals Mining Corporation) ("Wildsky" or the "Company") was incorporated in January 2006 under the laws of British Columbia, Canada as Hawthorne Resources Inc. and renamed as Hawthorn Gold Corp. in October 2006. In April 2011, the Company's name was changed to China Minerals. In August 2018, the Company's name was changed to Wildsky Resources Inc. Wildsky is listed on the TSX Venture Exchange under the symbol "WSK". The Company, an exploration stage entity, is in the business of acquisition, exploration and development of resource properties.

This Management's Discussion and Analysis ("MD&A") of the Company has been prepared based on available information up to the date of this report, October 2, 2018, and should be read in conjunction with the Company's condensed consolidated interim financial statements for the nine months ended August 31, 2018 as well as the audited consolidated financial statements for the year ended November 30, 2017.

The financial information disclosed in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("ISAB"). All monetary amounts are expressed in Canadian dollars unless stated otherwise.

The Company's shares are listed on the TSX Venture Exchange under the symbol "CMV", and quoted on the Pink Sheets in the United States under the symbol "HWTHF". Additional information is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **FORWARD-LOOKING STATEMENTS**

Information and statements contained in this MD&A that are not historical facts are forward-looking information within the meaning of National Instrument 51-102 *Continuous Disclosure Obligations* of the Canadian Securities Administrators that involve risks and uncertainties.

This MD&A contains forward-looking statements, such as estimates and statements regarding the Company's goals and future plans, including words to the effect that the Company expects a stated result or event to occur. These forward-looking statements are subject to known or unknown risks and uncertainties, which could cause actual results or performance of the Company to differ materially from results implied by such forward-looking information. Factors that could cause the actual results to differ include commodity price fluctuations, market capital access, global economy and politics, government regulations, environmental restrictions, exploration results, mineral title disputes, limitation on insurance coverage and availability of consultants delivering timely services, as well as those factors discussed in the section entitled "Risks and Uncertainties" in this MD&A.

Although the Company has attempted to identify important factors that could affect the Company or may cause actual actions, events or results to differ, there may be other causing factors out of the Company's anticipation or estimation. Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results otherwise. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

## **OVERVIEW**

The Company and its wholly owned subsidiary, Cassiar Gold Corp. ("Cassiar Gold"), are engaged in the exploration and development of mineral properties. The Company's main asset is the Cassiar Gold Project comprising the Table Mountain Property ("Table Mountain") and Taurus Property ("Taurus").

### **Legal Matter with the Minister of Forests, Lands and Natural Resource Operations, Minister of Aboriginal Relations and Reconciliation, Kaska Dena Council and 0995817 B.C. Ltd.**

In April 2013, the Province of British Columbia (the "Province") and the Kaska Dena Council ("KD") entered into an agreement which they have characterized as an "Incremental Treaty Agreement" ("ITA"). Under the ITA the Province agreed to make certain crown grants to the KD once express conditions precedent were satisfied. The crown grants in question are referred to for convenience as the "Land Parcels" and overlap, in part, Cassiar's mineral claims 226148, 226149, 510750, 514937, and 617143. The Land Parcels were transferred by the Province to a KD owned corporation (0995817 B.C. Ltd.) in April 2015.

Wildsky and Cassiar (together, the "Company") filed a petition in January 2016 seeking judicial review of the decision of the Minister of Aboriginal Relations and Reconciliation (the "Ministry") to sign the ITA with the KD. The Company's claims included that the Ministry failed to consult with or provide notice to the Company in advance of signing the ITA notwithstanding the impact of the ITA on the mineral tenures of the Company through the grant of the Land Parcels to the KDC.

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The Company also claimed that the Minister of Forests, Lands and Natural Resource Operations violated their right to procedural fairness by failing to consult the Company before transferring the Land Parcels to the KD owned corporation pursuant to the ITA. The Company further alleged that the Minister of Forests, Lands and Natural Resource Operations failed to consider relevant factors in making his decision, failed to exercise independent judgment in transferring the lands, exceeded his jurisdiction and/or made an error of law by not considering the Company's mineral interests. The Company also made a number of claims regarding the Provincial respondents' failure to provide the Company with relevant information and the provision of misleading information to the Company.

The relief sought by the Company included declarations regarding the violation of the Company's right to procedural fairness, as well as relief with respect to the transfer of the Land Parcels at issue.

On July 12, 2016, the Ministry entered into a Land Transfer Agreement with the relevant KD owned corporation (the "Land Transfer Agreement"). The Land Transfer Agreement provided that the KD owned corporation would re-convey ownership of the Land Parcels to the Province within ten days of an amendment to the ITA.

The Company was not advised of this development by the Province or the respondent ministers, nor was it advised of any negotiations leading up to the execution of the Land Transfer Agreement.

On December 13, 2016, the Ministry entered into an amending agreement to the ITA with the KD Council (the "ITA Amendment") regarding the transfer of certain other parcels in fee simple to the KD Council and a payment of \$200,000 to the KD Council for entering into the amended ITA.

On December 15, 2016, counsel for the Provincial respondents wrote to the Company's counsel taking the position that the judicial review proceedings were now moot because the ITA had been amended and the Land Parcels would be transferred back to provincial Crown ownership.

On January 16, 2017, at the Court hearing, both parties presented their arguments on whether the judicial review was moot.

On January 17, 2017, the Court rendered its decision that it would not hear the judicial review on the basis that the land parcels had now been transferred back to the Crown; as such the dispute over the third party rights became moot.

With the return of the Land Parcel to Crown ownership, and subject to available funding, the Company will be able to move forward with activities on its mineral properties.

#### **Appointment of new directors and officers**

In May 2017, the Company appointed Mr. Mao Sun as a member of the Board of Directors, Mr. Wilson (Wenhong) Jin as President, and Ms Andrea Yuan as Chief Financial Officer and corporate secretary.

In December 2017, the Company appointed Mr. Zonglin Zhang as a member of the Board of Directors. Mr. Ling Zhu resigned from the position of Chief Executive Officer ("CEO") and remain a member of the Board of Directors. Mr. Wilson Jin was appointed as CEO.

In June 2018, the Company appointed Mr. Yijie He as a member of the Board of Directors. Mr. Ling Zhu resigned from the Board of Directors.

#### **Private placement**

The Company closed a non-brokered private placement, issuing 7,245,000 share units at \$0.20 per unit for total proceeds of \$1,449,000. Each unit consists of one common share and one share purchase warrant, each warrant entitling the holder to purchase one common share at \$0.30 per share for a period of two years.

## **EXPLORATION AND EVALUATION ASSETS**

### **2018 summer exploration work**

During the summer of 2018, the Company completed a drilling program on the Historic Erickson Gold Tailings Pond (now known as TM TSF1). At the same time the company revisited an untested highly anomalous Gold in Soil prospect known as the "Lucky", first discovered in 1984.

The Lucky Prospect a 400m by 400m soil anomaly has been unexplored since that time. The soil anomaly ran right up to company's western claim boundary at the time and was hence left untested and wide open to the west. In June 2018, the company staked a 612 Ha mineral tenure covering the west - northwestern potential extension of the zone. In July 2018, 1,201 soil samples were taken on a grid of 50m line spacing and 20m sample intervals covering the historic soil anomaly and

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the newly staked area. Also 67 mineralized rock samples were collected. The samples have been submitted to ALS Mineralogy Lab in Whitehorse and results are pending.

At the same time, a total of 128 drill holes totalling 515m were completed at the former 8.1 Ha Erickson Gold Tailings Pond. These holes were drilled at 25m spacing to define the gold resources in the Tailing Pond. The 3' diameter holes ranged in depth from 1.2m to 7.0m, averaging 4m. A GeoProbe - 8040DT, Direct Push drill was commissioned from JED Drilling out of Penhold, AB for the job. Samples were split in half with one half of the sample being shipped to ALS Mineralogy in Whitehorse, YT and the other half being shipped to Bureau Veritas Minerals - Metallurgical Division in Vancouver, BC for metallurgy sampling and study.

### **Cassiar Gold Project, British Columbia**

The Cassiar Gold Project is located in northern British Columbia. It comprises approximately 58,900 ha (including 217 mineral claims and 2 placer claims) of which the Company has 100% interest, which comprise the Table Mountain and Taurus Properties in the Liard Mining Division. The area is easily accessible by an all-weather road along Highway 37, which runs through the center of the Cassiar properties, and by subsidiary roads which allow easy access to many parts of the projects. The area also can be accessed via fixed-wing aircraft flights to the Cassiar airstrip which lies immediately to the west of the Taurus Property near the old Cassiar town site. The Company owns an accommodation facility on Highway 37 in Jade City, British Columbia located between Table Mountain and Taurus that can accommodate up to 40 people. An office and core logging facility are located to the southwest of the camp area.

#### Table Mountain Property

The Table Mountain Property is located south of Highway 37 within the southern portions of the Cassiar Gold Project and contains the Main (formerly Erickson), Bain, Cusac and Vollaug mines which are past producing underground high-grade gold mines. A permitted 270 tonne per day gravity/flotation mill, power plant, assay lab and tailings impoundment facility are located on the property, and were put under care and maintenance by previous owners in October 2007. Thirteen adits/portals, approximately 25 km of underground workings, and more than 23 km of surface access roads occur on the property.

#### Taurus Property

The Taurus Property is located north of Highway 37 within the northern portions of the Cassiar Gold Project. The Property contains the Taurus Gold Deposit ("Taurus Deposit"), a large gold system which has been the focus of recent exploration on the project. The Taurus Deposit is located approximately eight kilometres from the company's milling facility, and is located along the main access road to the former town of Cassiar. It lies low in the valley in an area of subdued topography, allowing year round exploration and ease of access.

Technical disclosure in this news release has been reviewed and approved by Dr. Yingting (Tony) Guo, P.Geo., an Independent Qualified Person as defined by National Instrument 43-101.

### **OUTLOOK**

The Company has no current funding for exploration of its mineral projects. Management is monitoring the economic conditions of the mining industry and continues discussions with investors in relation to the economic viability of extracting gold residues from the tailings pond of its formerly producing mine at Table Mountain property.

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**QUARTERLY INFORMATION**

	Three month period ended August 31, 2018	Three month period ended May 31, 2018	Three month period ended February 28, 2018	Three month period ended November 30, 2017
Total assets	\$ 9,209,612	\$ 9,214,697	\$ 8,798,517	\$ 7,843,062
Working capital (deficiency)	278,596	819,700	941,507	(394,720)
Shareholders' equity	7,808,398	6,879,696	7,025,203	5,708,586
Net loss and comprehensive loss	(409,703)*	(155,508)	(114,387)	(141,069)
Loss per share	(0.03)	(0.01)	(0.01)	(0.02)

	Three month period ended August 31, 2017	Three month period ended May 31, 2017	Three month period ended February 28, 2017	Three month period ended November 30, 2016
Total assets	\$ 7,906,348	\$ 8,020,944	\$ 8,092,071	\$ 8,149,694
Working capital (deficiency)	(267,099)	(175,922)	(102,442)	(75,095)
Shareholders' equity	5,854,581	5,966,471	6,062,010	6,123,819
Net loss and comprehensive loss	(111,890)	(95,539)	(61,809)	(104,542)
Loss per share	(0.01)	(0.01)	(0.00)	(0.01)

\* During the three months ended August 31, 2018, the Company recorded a stock-based compensation of \$189,731 on the grant of 950,000 stock options.

**REVIEW OF FINANCIAL RESULTS**

**Nine months ended August 31, 2018 and 2017**

**Net Loss**

For the nine months ended August 31, 2018, the Company incurred net loss of \$678,865 as compared to \$269,238 for the nine months ended May 31, 2017.

**Expenses**

Expenses for the nine months ended August 31, 2018 were \$682,372 as compared to \$323,376 for the comparative nine months ended August 31, 2017. The increased expenses in 2018 were results of the following:

- Accretion of asset retirement obligation of \$40,412 (2017 - \$25,519) increased due to the change of estimation of the asset retirement obligation;
- Amortization expense of \$46,712 (2017 - \$37,994) increased due to the addition of property, plant and equipment during the period;
- Filing and transfer agent fee of \$27,966 (2017 - \$14,774) increased due to filings fee for appointment of new directors, grant of stock options and close of private placement;
- accrue of management fee of \$72,000 (2017 - 32,000) to a company controlled by the CEO and President, and \$54,000 (2017 - \$24,000) to a company controlled by the CFO;
- Camp maintenance costs \$184,295 (2017 - \$48,197) increased due to soiling sampling and tailing pond work carried in the summer. The Company spent \$52,770 (2017 - \$Nil) during the current nine month period on camp infrastructure improvement on power and repairment. The property was in care and maintenance in last fiscal year and therefore lower costs on camp maintenance;
- The Company recorded \$189,731 of fair value on 950,000 of stock options granted in August 2018. There was no stock options granted during the fiscal year ended November 30, 2017.

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- During the nine months ended May 31, 2017, the Company paid \$25,934 of salary and benefits to the former CFO, who resigned at the end of April 2017. There is no such expense during the six months ended May 31, 2018.

The Company's other expenses are comparable for the six months ended August 31, 2018 and 2017.

**Other Income (Expenses)**

Certain camp equipment was disposed during the nine months ended August 31, 2017 for a net gain of \$16,359. The Company also wrote off accounts payable of \$24,283 during the comparative nine-month period. There is no such expense during the current nine months ended August 31, 2018.

**Three months ended August 31, 2018 and 2017**

**Net Loss**

For the three months ended August 31, 2018, the Company incurred net loss of \$409,703 as compared to \$111,890 for the same period in 2017.

**Expenses**

Expenses for the three months ended August 31, 2018 were \$412,244 as compared to \$149,077 for the same period in 2017. The increased expenses in 2018 were results of the following:

- Camp maintenance costs \$107,306 (2017 - \$24,732) increased due to soiling sampling and tailing pond work carried in the summer. The Company spent \$52,770 (2017 - \$Nil) during the current three month period on camp infrastructure improvement on power and building repairment. The property was in care and maintenance in last fiscal year and therefore low costs on camp maintenance;
- The Company recorded \$189,731 of fair value on 950,000 of stock options granted in August 2018. There was no stock options granted during the fiscal year ended November 30, 2017.

The Company's other expenses are comparable for the three months ended August 31, 2018 and the comparative three-month period.

**Other Income (Expenses)**

The Company wrote off accounts payable of \$24,283 during the comparative nine-month period ended August 31, 2017. There is no such expense during the current nine months ended August 31, 2018.

**LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN**

The Company is in the exploration stage and no revenue has been generated to date. At August 31, 2018, the Company had cash of \$529,478 and a working capital of \$278,596, from cash of \$25,796 and working capital deficiency of \$394,720 at the beginning of the fiscal year.

In the past, operating capital and exploration requirements have been funded primarily from equity financing and the Company will need to arrange equity or other financing in the near future in order to continue in operation. While the Company has been successful in raising capital in the past, there can be no assurance that such financing will be available to the Company in the amount required or that it can be obtained on terms satisfactory to the Company. The Company's current financial situation indicates material uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

**Cash Flows**

Under operating activities, the Company used \$508,314 in the nine months ended August 31, 2018 as compared with \$224,708 in the nine months ended August 31, 2017.

During the nine months ended August 31, 2018, the Company completed a non-brokered private placement, issuing 7,245,000 share units at \$0.20 per unit for total proceeds of \$1,449,000. Each unit consists of one common share and one share purchase warrant, each warrant entitling the holder to purchase one common share at \$0.30 per share for a period of two years. The Company then repaid a loan and interest totalling \$282,107 to a director of the Company. There was no financing activity during the nine months ended August 31, 2017.

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In the investing activities, during the nine months ended May 31, 2018, the Company purchased a laptop at \$3,072 and spent \$55,238 on major improvement of the main kitchen camp. The Company also spent \$88,592 on exploration and evaluation expenditure including soil sampling and tailing pond drilling programs carried in the summer. During the nine months ended August 31, 2017, the Company disposed of certain camp equipment for gross proceeds of \$30,000.

The Company has no long-term debt obligations other than asset retirement obligation.

### **OUTSTANDING SHARE DATA**

The following table summarizes the Company's outstanding share data as of the date of this MD&A:

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	Number of securities
Common shares	14,839,813
Stock options	950,000
Warrants	7,245,000

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### **SUBSEQUENT EVENTS**

None

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheet arrangements.

### **RELATED PARTY TRANSACTIONS**

#### **Loan payable**

In September 2016, the Company received a director's loan in the amount of US\$200,000 bearing interest at 8% per annum and payable on September 21, 2017 (the "Maturity Date"). The Maturity Date was extended for an additional term of one year to September 21, 2018. At November 30, 2017, interest of \$24,491 was accrued on the loan. In December 2017, the Company fully repaid the loan and interest totalling \$283,334.

#### **Key management compensation**

The Company entered into the following transactions with related parties during the nine months ended August 31, 2018:

a) Starting May 1, 2017, the Company pays a management fee of \$8,000 per month to the CEO and President of the Company. During the nine months ended May 31, 2018, the Company paid or accrued \$72,000 (2017 -\$32,000) to the company controlled by the CEO and President. As of August 31, 2018, \$16,400 (November 30, 2017 - \$58,800) payable to the company controlled by the CEO and President was included in accounts payable and accrued liabilities.

b) Starting May 1, 2017, the Company pays a management fee of \$6,000 per month to the CFO of the Company. During the nine months ended August 31, 2018, the Company paid or accrued \$54,000 (2017 -\$24,000) to the company controlled by the CFO. As of August 31, 2018, \$10,300 (November 30, 2017 - \$44,200) payable to the company controlled by the CFO was included in accounts payable and accrued liabilities.

c) During the nine months ended August 31, 2018, the Company paid \$Nil (2017 - \$25,934) of salaries and benefits to the Company's former CFO.

d) Starting May 1, 2017, the Company pays rent of \$500 per month to a company of which the CEO and President is a director. During the nine months ended August 31, 2018, the Company paid or accrued \$4,500 (2017 -\$2,000) to the company. As of August 31, 2018, \$2,625 (November 30, 2017 - \$2,625) payable to the company was included in accounts payable and accrued liabilities.

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e) During the nine months ended August 31, 2018, the Company paid directors' fees of \$Nil (2017 -\$1,500) to directors of the Company.

f) During the nine months ended August 31, 2018, 850,000 (2017 - Nil) stock options were granted to directors and officers having a fair value on issuance of \$169,759 (2017 - \$Nil).

Accounts payable to related parties do not bear interest, are unsecured and repayable on demand.

### **FINANCIAL INSTRUMENTS AND RELATED RISKS**

The Company's financial instruments consist of cash, receivables, reclamation bond, accounts payable and accrued liabilities, and loan payable to related party.

Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of the Company's receivables, accounts payable and accrued liabilities, and loan payable to related party approximate their carrying values due to the relatively short periods to maturity of these financial instruments

#### **Financial risk management**

The Company's objective in risk management is to maintain its ability to continue as a going concern. It is exposed to the following risks:

##### **Liquidity risk**

Liquidity risk is the risk that the Company might not be able to meet its obligations and commitments as they come due. As at August 31, 2018, the Company had cash of \$529,478 (November 30, 2017 - \$25,796) and a working capital of \$278,596 (November 30, 2017 - deficiency of \$394,720).

##### **Credit risk**

Credit risk arises from cash held with financial institutions as well as credit exposure on outstanding receivables.

The Company's cash is held at high-credit rating financial institutions. The Company's maximum exposure to credit risk is the carrying amounts of cash and receivables on its consolidated statement of financial position.

##### **Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

###### **i. Interest rate risk**

Interest rate risk arises from changes in market rates of interest that could adversely affect the Company. The Company currently has no interest-bearing financial instruments other than cash and the related party loan bears a fixed interest rate, so its exposure to interest rate risk is insignificant.

###### **ii. Foreign currency risk**

Foreign currency risk arises from fluctuations in foreign currencies versus the Canadian dollar that could adversely affect reported balances and transactions denominated in those currencies. The Company currently has no significant assets or liabilities and has no revenue or expenses denominated in a foreign currency, so it is not exposed to foreign currency risk.

###### **iii. Equity price risk**

Equity price risk arises from market fluctuations in equity prices that could adversely affect the Company's operations. The Company's current exposure to equity price risk is limited to declines in the values and volumes including those of its own shares, which could impede its ability to raise additional funds when required.

## **SIGNICANT ACCOUNTING POLICIES, CRITICAL JUDGEMENTS AND ESTIMATES**

Certain new accounting standards and interpretations have been published that are not mandatory for the August 31, 2018 reporting period. Those new standards have been assessed, but are not expected to have any impact on the Company's financial statements.

All of the Company's significant accounting policies and estimates are included in Note 3 of its condensed consolidated interim financial statements for the nine months ended August 31, 2018 and Notes 3 and 4 of its audited consolidated financial statements for the year ended November 30, 2017.

## **RISKS AND UNCERTAINTIES**

Due to nature of the Company's business in mineral exploration and development, it is subject to various risks and uncertainties associated with the mining and extraction industry. If any of the following risks occur, the Company's going concern, operating results and financial position could be adversely impacted.

### *Exploration Risk*

Mineral exploration activities are inherently risky. Few properties that are explored are eventually developed into producing mines. Exploration activities on the Company's Cassiar mineral properties have not yet resulted in discoveries of commercial mineralization to take the Company to the producing stage. If there are no further discoveries of mineral reserves, the Company may be forced to look for other exploration projects and abandon the existing properties.

### *Mineral Resources*

The mineral resource figures disclosed in the MD&A are estimates only and the Company cannot be certain that specific quantities of gold or other minerals will be realized. These estimates are subject to the assumptions and judgments used in the geological interpretations. Any material changes in the mineralization, grade, metal prices and market conditions could have a serious adverse effect on the economic viabilities of the Company. Until the estimated deposits are mined and processed, the mineral resources and its grades remain estimates only.

### *Commodity Prices*

The Company's future viability depends largely on the movement of the price of gold as the Company's mineral resources are primarily of gold. Gold prices have been historically volatile reacting to conditions beyond the Company's control, including international politics, economic crisis, global supply and demand and investors' sentiment. These uncertainties and volatility could affect negatively the Company's ability to raise capital for its exploration activities.

### *Global Economy and Financial Markets*

The Company has no revenue from its operations and relies on the capital markets to raise equity financings for its operations. The ongoing civil war in Syria, instability in the Middle East, proliferate terrorist attacks in Europe and the increase of US interest rate have all adversely affected the global economy. The market uncertainty has led to the capital especially in natural resource sectors with uneconomically low commodity prices. This results in extreme challenges for exploration companies to seek funds from the financial markets.

### *Share Price Volatility*

The slowdown growth in China since 2014 has resulted in reduced demand of base and precious metals and drastic drops in the share prices of many resource-based companies. As a junior mineral explorer, the Company's share price has been unavoidably affected by such volatile market conditions, which may not be necessarily related to the financial condition and underlying assets of the Company. For the Company's ongoing working capital and exploration activities, it relies on the issuance of common shares. The Company's depressed share price has casted doubt on its ability to raise equity financing.

### *Government and Environmental Regulations*

The Company's operations are subject to various regulations governing prospecting, permitting, mine safety, labour standards, explosive storage, reclamation, spills, tailings disposal and any other environmental issues. There is no guarantee that new rules and compliances will not be enacted or existing regulations will not be changed and applied in such

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a way that they may adversely affect the Company's operations. Environmental legislation has becoming more stringent and penalties are enforced for non-compliance. Compliance with existing and evolving regulations means increasing costs to the Company.