

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED MARCH 31, 2011

AMENDED NOVEMBER 29, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis (the "MD&A") is a complement and supplement to the annual and quarterly financial statements of KWG Resources Inc., ("KWG" or the "Company"), and should be read in conjunction with those statements. It represents the view of management on current activities and past and current financial results of the Company, as well as an outlook of the activities of the coming months.

DATE

This MD&A for the period ended March 31, 2011 is dated June 29, 2011 and was amended and re-filed on November 29, 2011 to reflect changes made to the financial statements for the first quarter of 2011. These changes were made in order to conform with the application of new accounting policies under International Financial Reporting Standards. The changes from the original MD&A have been highlighted for easier reference.

COMPANY OVERVIEW

KWG Resources Inc. ("KWG") is a mineral resource exploration company that is participating in the development of new chromite discoveries in the *Ring of Fire* area of the James Bay Lowlands of Northern Ontario, where deposits of nickel and chromite have been discovered since late 2007.

KWG was incorporated in 1937 in Montreal, Canada where its registered office continues to be located, while its executive office is in Toronto and its exploration office is in Thunder Bay. KWG has been active in the search for diamonds in the James Bay Lowlands since 1993 in a joint venture ("the K-S JV") with Spider Resources Inc. ("Spider"). In 2002 a discovery of copper and zinc was made near McFaulds Lake on claims optioned by the K-S JV to De Beers Canada Inc. approximately 120km west and upstream on the Attawapiskat River from the De Beers Victor Diamond Mine adjacent to the K-S JV's MacFadyen Kimberlites. In 2008 the K-S JV confirmed discovery of the *Big Daddy* chromite deposit on claims optioned from Freewest Resources Canada Inc. ("Freewest") just as Freewest was drilling its adjacent *Black Thor* and *Black Label* chromite discoveries.

The Company completed a preliminary economic assessment ("PEA") to determine the value of its interest in the *Big Daddy* chromite deposit (the "Project"), as announced and described in more detail in its news release of April 12, 2011. The PEA recommended that the Project should proceed to the Feasibility Study phase.

KWG has a 1% Net Smelter Royalty reserved in the claims containing the important chromite discoveries made to date in the *Ring of Fire*, which includes the *Big Daddy*, *Black Thor*, and *Black Label* deposits. This improves the economic potential of KWG's minority interest in the *Big Daddy* deposit and provides direct participation in the chromite developments, no matter which deposit is first mined.

Since the construction of a railroad, along claims staked by KWG's subsidiary Canada Chrome Corporation ("CCC"), was determined technically feasible by railroad and geotechnical engineers, CCC continues to study the development of the rail transportation option. This railroad is to be used for transporting materials into the discovery area as well as transporting the mined ores out. Consultations continue regarding the feasibility and financing of the railroad's construction. The Company also continues working with the principally affected First Nations communities, trying to ensure the area's indigenous population might be vested with an economic interest in these transportation assets.

KWG controls the MacFadyen Kimberlites and other contiguous exploration properties that are all adjacent to the De Beers Victor Diamond Mine. All these diamond exploration assets are held in the Company's subsidiary Debut Diamonds Inc. ("DDI"), which recently underwent a slight name-change from the former Debut Diamonds Inc.

Management will continue to pursue all financing alternatives available to fund its ongoing obligations and exploration activities. Although there is no assurance that the Company will be successful in these actions,

management is confident that it will be able to secure the necessary financing through the issuance of new equity to continue as a going concern. Should the Company not be able to obtain the necessary financing, there would be significant doubt as to the ability of the Company to meet its obligations as they come due.

Q-1 2011 HIGHLIGHTS

Highly Positive Results from Metallurgical Testing

The Company received the first of the test results from Xstrata Process Support's research facilities at Falconbridge, Ontario, which completed the first of many tests needed to evaluate the marketability of chromite ore from the deposit. Xstrata's initial report concluded that: "*The Big Daddy ore is competent, and provided mining and primary crushing is competently performed, the yield of saleable ore as direct shipping lumpy ore approaches 100%. Marketing plans can proceed on the basis of a high yield of direct shipping grade lumpy chromite ore.*" In a subsequent initial smelting test a historic milestone was achieved when the first high carbon ferrochrome was produced in a test melt of the *Big Daddy* chromite bulk sample. This demonstration that the *Big Daddy* chromite may be readily smelted into ferrochrome was a landmark event in the determination of the economic viability and technical feasibility of the *Ring of Fire* chromite discoveries.

Right-of-Way Assessment Work Filed

CCC filed five years' worth of assessment work on almost all of its mining claims that make up its 328 kilometer corridor which is a prospective route to construct railroad ore-haulage infrastructure. If approved and applied as credits to the claim blocks, CCC will have sufficient assessment work to apply for 21-year mining leases on those blocks. A previous filing made in late 2010 was approved by the Ministry of Northern Development, Mines and Forestry and became final on March 15, 2011 thereby securing tenure in many of the claims. CCC staked the claims and engaged Golder Associates to conduct a geotechnical sampling program last year. As a result of this program \$7.7 million of assessment work was included in the new filing. Soil profile samples were taken from 811 hollow stem boreholes at regular intervals over the 328 kilometer study corridor. KWG also made arrangements to donate the 5,906 samples collected to the Ontario Geological. The data generated by the Golder program is being incorporated into the railroad engineering model, for completion of a pre-feasibility study by Krech Ojard & Associates, the railroad engineering firm engaged by KWG.

RECENT DEVELOPMENT HIGHLIGHTS

Preliminary Economic Assessment Reported

On April 12, 2011, the Company announced the results of a Preliminary Economic Assessment (PEA) study commissioned by it on the Project. The study recommended that the Project be advanced to the Feasibility Study phase. The Company reported, "*The PEA results indicate the Big Daddy deposit, if developed, could provide compelling returns to the owners at present prices.*" The complete study titled KWG Resources Inc. NI 43-101 Technical Report on the Preliminary Economic Assessment of the Big Daddy Chromite Project, McFaults Lake Area, James Bay Lowlands, Northern Ontario, Canada, prepared by NordPro Mine & Project Management Services Ltd., was filed on SEDAR on May 30, 2011.

Big Daddy Earn-In Reported

On May 6, 2011, the Company reported that it remitted on behalf of itself and Spider \$1.5 million of exploration funding to Freewest to complete the second option period earn-in requirement to incur \$5 million of exploration expenditures in order to vest each of KWG and Spider with an additional 1.5% interest in the Project. \$750,000 of the funds remitted by KWG to Freewest were funds advanced by Spider to KWG pursuant to budgeted cash calls that were not spent on the approved program. Subject to the terms of the option agreement, KWG and Spider now each have the option to earn a further 2% interest in the Project by each incurring \$2.5 million of exploration expenditures in a program operated by Spider to March 31, 2012.

Because the exigencies of the winter field operations resulted in program expenditures of less than \$2.5 million being incurred by each of KWG and Spider, KWG and Spider each elected to remit the balance of funding to Freewest, the Optionor, as provided under the option agreement, to each vest an additional 1.5% interest and maintain the right to each earn the final 2% interest. Freewest had a 30-day period following KWG's submission to Freewest of program expenditures within which to confirm the sufficiency of such expenditures.

Big Daddy Metallurgical Testing Completed

On June 10, 2011, the Company received the final report from Xstrata Process Support on its *Big Daddy* chromite metallurgical testing. The report confirmed that the samples collected from four bore holes of the *Big Daddy* chromite deposit are amenable to refining at relatively modest energy consumption resulting in high yields of refined ferro-chrome product. The report observed:

“The metallurgical test work performed indicates that the Big Daddy chromite ore is highly suitable for the manufacture of high carbon ferrochromium or for use as a sweetener ore to blend with lower Cr: Fe chromite ores to manufacture charge chrome. The likely grade of alloy produced from this ore is 58-60% Cr. High Cr recoveries are obtained when smelting at normal FeCr furnace operating temperatures using burned lime as flux and suitable solid reductant. The reducibility of the ore is relatively high by comparison with previously tested ores of similar Cr: Fe ratio.

No issues were identified which would give cause for concern about the suitability of this ore as a high quality metallurgical feedstock for the manufacture of ferrochrome alloys. The ore can be marketed to prospective customers as being suitable for direct smelting in existing ferrochrome furnaces without any further beneficiation.”

Drilling Program Results Reported

On June 10, 2011, the Company also reported the results of the two holes completed during its winter drilling program. Hole 63, drilled to a depth of 555m at minus 43 degrees, generated two chromite intercepts. The first through the *Big Daddy* Massive domain was from 489.6m to 525.0 (35.6m) (32m true width), at a vertical depth of 340-360m, assayed 41.08% Cr₂O₃. The second intercept from 535.5m to 546.0m (10.5m) assayed 32.75% Cr₂O₃. Drilling of this hole was terminated by the ending of KWGs operatorship of the project. Hole 64 drilled to a depth of 710m at minus 57 degrees, beneath hole 63, did not intercept chromite mineralization at the vertical depth target of 550-600m. The lack of mineralization at depth on this section coincides with a 150m segment within the 1km gravity anomaly that defines the chromite deposit, where a weaker gravity indication is recorded.

OUTLOOK

The recently completed PEA of KWG’s interest in the Project has demonstrated its very substantial economic potential, with a net present value of \$1.18 per presently outstanding KWG share, using an 8% discount rate.

The Project as described in the PEA includes the development of a railway and power line to the site, an open pit mine and associated crushing plant and infrastructure. It is estimated that the pre-production construction would be completed over a 3 year time period and the open pit would produce a total of 25.35 million tonnes indicated and 13.54 million tonnes of inferred lump chromite mineralization, over a 16 year operating life. The PEA assumes the Project would be closed-out at the completion of open pit mining in year 16. This scenario represents one of many development options for the Project. The PEA recommends that additional options be considered through marketing, transportation and mineralization processing studies to provide the preferred option for use in the definitive Feasibility Study.

Project Financial Analysis Results

	<i>KWG Interest (30%)</i>	<i>Total Project</i>
Undiscounted Gross Revenue ¹	\$3.79 billion	\$12.64 billion
Undiscounted Cashflow – Pre-Tax	\$1.89 billion	\$ 6.30 billion
Pre-tax evaluation:		
• NPV (8%)	\$745 million	\$ 2.48 billion
• NPV (10%)	\$602 million	\$ 2.01 billion
• IRR	42.0%	42.0%
• Payback Period	2.5 years	2.5 years
NSR Royalty(undiscounted) ²	\$126 million	

¹ This estimate was based on a price of US\$325 per tonne of lump chromite mineralization and an open pit shell produced using MineSight. A cut-off grade of 35% Cr₂O₃ was used.

The PEA has estimated that the Project alone could pay back the capital cost of constructing a railroad to it. This is highly encouraging for the development of the area and provides an opportunity to explore financing mechanisms for CCC's development of such a railroad. The PEA assumed the Project would bear half of the total capital cost of an ore-haulage quality railroad estimated at \$900 million, and that other shippers would bear the remaining cost, while CCC's studies have focused on a more comprehensive public infrastructure railroad and road construction program budgeted at more than \$2 billion.

KWG's interest in the adjacent McFaulds Lake properties, where ten discoveries of economically interesting grades of copper and zinc have been previously found, is also enhanced by the PEA demonstrating the viability of the railroad. Management expects to be able to participate in the further development of these discoveries.

Much activity has been recently focused on the opportunity to finance DDI with the strong recent resurgence in global diamond demand and increasing prices. Management anticipates that the value of DDI may now be utilized to pursue a number of diamond exploration and development opportunities, so that the long-planned dividend of its shares to the holders of KWG's shares may be finally completed.

OVERALL PERFORMANCE – FINANCIAL

During the first quarter of 2011, the Company improved its financial situation with the closing of a private placement in January. Through the private placement transactions KWG issued 9,120,000 flow-through shares for total proceeds of \$1,185,600. Additionally the Company received proceeds totaling \$300,000 from the exercise of warrants during the first quarter. These funds have been used to finance the exploration work on the *Big Daddy* property in the *Ring of Fire*, to continue to develop a proposed route for a railroad link to the *Ring of Fire* and for working capital. The proceeds from the issuance of flow-through shares will be used for eligible flow-through exploration expenses and will be renounced for the 2011 and possibly 2012 years.

The Company has maintained its focus on its strategic planning to develop what it expects could become a major North American ferro-chrome supplier deposit as well as a route to export the materials. Exploration activities on the *Big Daddy* property have been steady and progress is being made to understand the value of the deposit.

KWG's railway infrastructure project has been well timed and the need for a railway in the *Ring of Fire* seems highly economic. Meetings with government and First Nations officials are ongoing to determine a mutually beneficial result. As well, KWG continues to explore the available funding mechanisms that can be employed to continue development of the railroad link to the *Ring of Fire*.

LIQUIDITY & CAPITAL RESOURCES

The main source of financing for KWG is the issuance of equity shares. Each of KWG's projects has demonstrated sufficient evidence of geological merit to warrant additional exploration. However, it is not presently possible to estimate the cost of further exploration programs, which may or may not bring individual properties to a subsequent stage of development, since they are all exploration projects and their development depends on the results of exploration. On March 31, 2011, the Company had working capital of \$160,597 (\$69,453 as at December 31, 2010) including \$3,652,267 (of which \$1,820,079 must be spent on qualifying resource expenditures) in cash and cash equivalents. During the quarter an amount payable of \$400,000 which was accrued on the 2009 purchase of the 1% net smelter royalty which has been renegotiated and satisfied through the issuance of shares thereby improving the Company's working capital balance. The Company forecasts operating expenditures of approximately \$2.5 million for 2011. KWG currently does not have adequate working capital to finance its corporate and administrative activities and its upcoming exploration programs for the entire 2011 year. However, the Company expects to raise additional funds through the sale of non-core assets and further equity financings throughout 2011 to cover these costs. There is no assurance that the Company will be successful in these actions. Should the Company not be able to obtain the necessary financing, there would be significant doubt as to the ability of

the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

RESULTS FROM OPERATIONS

During the three-month period ended March 31, 2011 the Company recorded a loss of \$1,039,782 (\$0.00 per share) compared to \$1,862,561 (\$0.00 per share) in 2010. This loss includes non-cash expenditures of \$419,825 related to stock compensation costs (\$67,823 in 2010) as well as the recording of a non-cash loss in the amount of \$221,462 (\$1,387,567 in 2010) related to the revaluation of the warrant liability. The loss, after adjusting for non-cash items, was consistent with the same period in 2010. The period results are explained as follows:

Income

Finance, interest and other income amounted to \$11,451 for the first quarter of 2011 compared with \$41,156 for 2010. The previous year's amount includes a flow-through stock premium amortization amount of \$40,178 whereas the income for the current year doesn't not include any such amount. Interest income in 2011 was higher than 2010 due to a higher level of excess funds which were invested in short-term investments.

Expenses

Administrative Expenses

Administrative expenses for the first quarter of 2011 amounted to \$405,311 compared to \$489,879 for the same period in 2010. The main components of the administrative expenses variance of \$84,568 are explained as follows:

- Increased salaries of \$46,000, directors fees of \$3,000 were incurred due to greater involvement of certain officers, directors and outside consultants in relation to the reorganization and operation of the Company;
- Professional and consultants' fees decreased by \$82,000 in 2011 versus 2010 as a result of lower need of such third party professionals.
- Promotional and investor relations expenses decreased by \$27,000 as the Company continued to focus on increasing its operating efficiencies in this area;
- During the first quarter of 2011 the Company recovered \$62,000 of administrative expenses as a result of having operatorship of the *Big Daddy* chrome project. There was no such recovery in 2010; and
- Corporate expenses increased by \$38,000 in the first quarter of 2011 compared to 2010 which included an increase in filing fees of \$21,000 due to private placements, an increase in expenditures on seminars and conferences of \$1,000, increased overheads \$7,000 due to the opening of a Thunder Bay office and increased travel and promotional costs of \$9,000.

Stock Compensation Costs

Stock compensation costs constitute a non-cash expense. During the first quarter of 2011, stock compensation costs amounted to \$419,825 as compared to \$67,823 in 2010. This resulted from the issuance of new stock options in the second and fourth quarters of 2010 and the first quarter of 2011. These stock options vest throughout 2011 and early 2012. The calculated cost of these stock options is recognized as an expense over the vesting period.

Foreign Exchange Gain (Loss)

During the first quarter of 2011, the Company realized a gain of \$2,072 on the exchange and conversion of US dollars compared to a gain of \$47,187 for the same period in 2009. This was a result of the there being very little fluctuation in the US/Canada exchange rates since the end of 2010.

SUMMARY OF QUARTERLY RESULTS

(Thousands of dollars except amount per share)

Quarter ending	Total income	Income (loss)	Income (loss) per share (basic and diluted)
March 31, 2011	14	(1,040)	<(0.01)
December 31, 2010	3,105	(4,065)	<(0.01)
September 30, 2010	2,345	1,451	<0.01
June 30, 2010	666	(1,766)	<(0.01)
March 31, 2010	41	(1,863)	<0.01
December 31, 2009*	2	(688)	<(0.01)
September 30, 2009*	1	(949)	<(0.01)
June 30, 2009*	14	(1,883)	<(0.01)

* Pre-transition Canadian GAAP

The higher losses in certain quarters are attributable mainly to the recognition of mineral property write-offs, stock compensation costs during such quarters and adjustments resulting from the revaluation of the warrant liability. The net income in the third quarter of 2010 resulted from the receipt of the termination payment from Spider Resources Inc.

The foregoing financial data has been prepared in accordance with Canadian GAAP up to December 31, 2009 and under International Financial Reporting Standards thereafter. There is insufficient information available to adjust all prior periods to the new IFRS standards. The reporting currency of such financial data is Canadian dollars.

COMMITMENTS

Pursuant to flow-through financing agreements closed during the third quarter of 2010, the Company is required to incur \$634,479 in Canadian exploration expenses by December 31, 2011.

Pursuant to flow-through financing agreements closed during the first quarter of 2011, the Company is required to incur an additional \$1,185,600 in exploration expenses by December 31, 2012.

RELATED PARTY TRANSACTIONS

Related party transactions occurred in the normal course of business and were recorded at the exchange value, reflecting the consideration determined and agreed to by the parties. During the first quarter of 2011, officers and companies controlled by officers charged consulting fees totalling \$51,561 (\$61,438 in 2010) of which \$21,945 remained payable at March 31, 2011 (\$35,761 in 2010) and directors of the Company and a company controlled by a director of the Company charged nil (\$30,728 in 2010) for professional consulting services of which nil remained payable at March 31, 2011 (nil in 2010). Director's fees paid for the first quarter of 2011 totalled \$18,000 (\$11,600 in 2010).

NEW ACCOUNTING POLICIES

IFRS issued by the International Accounting Standards Board ("IASB") have been adopted in the Company's Unaudited Interim Consolidated Financial Statements. Note 3 thereto includes the accounting policies that have been applied in preparing the financial statements for the three months ended March 31, 2011 and 2010. The comparative information presented in the financial statements for the year ended December 31, 2010 and the opening IFRS balance sheet as at January 1, 2010 (date of transition) were also compiled using IFRS. Note 17 to the Unaudited Interim Consolidated Financial Statements details the adjustments made and the reconciliations between pre-transition Canadian GAAP and IFRS.

SUMMARY OF IFRS IMPLEMENTATION

Overview

As discussed above and in the Company's previous MD&As, the Company implemented a project plan to guide its transition to IFRS. The project plan is essentially complete with only post-implementation review outstanding. However, the Company will continue to monitor the publications of the Mining Industry Task Force and how practice develops with respect to some of the more industry-specific matters such as accounting for flow-through financings.

Note 17 to the Unaudited Interim Consolidated Financial Statements includes detailed reconciliations of the effects of IFRS on the Company's previously-published financial statements issued under pre-transition Canadian GAAP. The reader is encouraged to refer to that information for a full description of matters summarized below. Furthermore, the Company has identified the more significant adjustments to IFRS throughout this MD&A in places where it was considered helpful.

The Company's guiding principle during the transition has been to manage the number of changes and to minimize the effect of implementation of IFRS unless there was a compelling reason for change. Where pre-transition Canadian GAAP was consistent with IFRS, the Company generally made no change to its accounting policies. Certainly the volume of disclosure has increased. At present, the Company took a more conservative approach to disclosure but it expects to streamline future disclosures as part of its post-implementation review and ongoing monitoring of industry practice.

IFRS 1 Elections

The Company elected under IFRS 1, as follows:

- not to adopt retroactive application of fair value accounting on options issued and fully vested before the transition date; and
- to adopt retroactive capitalization of borrowing costs to qualifying assets.

Summary of Significant Accounting Policy Differences and/or Choices under IFRS

Property and equipment

The Company has chosen to continue to account for its property and equipment using the cost model.

Exploration costs

The Company has chosen to continue to capitalize exploration costs.

Flow-through share financing

In accordance with interpretations of IFRS, the Company's selected accounting treatment requires recognition of the tax effects of renunciation upon incurring expenditures related to the flow-through shares, as well as an identification of the premium associated with the tax benefits passed on to the subscribers of the flow-through shares and amortization thereof to operations upon incurring expenditures related to the flow-through shares. The Company has chosen to record the flow-through premium as an element of finance income.

The accounting treatment has impacts upon trade and other payables, share capital, warrants, deficit and tax expense as well as finance income. Since there is no applicable exemption, the Company made a best-efforts attempt to calculate the historic impact of renunciation and premium recognition; given that historic differences would represent a reclassification between share capital, warrants and deficit upon transition, the Company considers that any differences are not material. The following table summarizes the effects on the balance sheets of flow-through accounting.

Finance income and finance costs

Under IFRS there are several reclassifications required to report the components of finance income and finance costs. The Company has chosen to record the premium on flow-through as a component of finance income.

FUTURE ACCOUNTING CHANGES

The Company may enter into joint venture arrangements with third parties. Presently, the Company's accounting policy is to account for these using the proportionate consolidation method. IFRS may remove this alternative and require equity accounting. This is not expected to represent a major change for the Company.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Exploration and Evaluations Projects

Exploration and evaluations projects include rights in mining properties and deferred exploration expenses. Exploration costs, except those incurred prior to acquiring licenses on the subject property, are deferred until the economic viability of the project has been established, at which time costs are added to the asset account. Costs are written off when properties are abandoned or when cost recovery is uncertain. Management has defined uncertainty as either there being no financial resources available from the Company or its joint venture partners for development of a mining property over a three-year period, or results from exploration work not warranting further investment.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the carrying value of the assets may not be recoverable, as identified by comparing their net book value to the estimated undiscounted future cash flows generated by their use and eventual disposal. Impairment is measured as the excess of the carrying value over the fair value, determined principally by discounting the estimated net future cash flows expected to be generated from the use and eventual disposal of the related asset. In the event that the Company has insufficient information about its exploration properties to estimate future cash flows to test the recoverability of the capitalized costs, the Company will test for impairment by comparing the fair value to the carrying amount, without first performing a test for recoverability.

Income Taxes

The Company provides for income taxes using the liability method of tax allocation. Under this method, deferred income tax assets and liabilities are determined based on deductible or taxable temporary differences between the accounting values and tax values of assets and liabilities using substantively enacted or enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse. The Company establishes a valuation allowance against deferred income tax assets if, based upon available information, it is more likely than not that some or all of the income tax assets will not be realized.

FINANCIAL INSTRUMENTS

The Company is exposed to various financial risks resulting from both its operations and its investments activities. The Company's management manages financial risks. The Company does not enter in financial instrument agreements including derivative financial instruments for speculative purposes. The Company's main financial risk exposure and its financial risk management policies are as follows:

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

Credit Risks

It is management's opinion that the Company is not exposed to significant credit risks.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is subject to concentrations of credit risk through cash and accounts receivable. The Company reduces its credit risk by maintaining part of its cash in financial instruments guaranteed by and held with a Canadian chartered bank.

Foreign Exchange Risk

Foreign exchange risk is the potential adverse impact on earnings and economic value due to movements and volatilities in foreign exchange rates. The Company maintains cash denominated in US dollars and it also engages suppliers whose payments are required to be made in US dollars. As a result, the Company is exposed to US dollar fluctuations. As at March 31, 2011 US dollar denominated balances included cash of US\$273 (US\$398,163 in 2010) and accounts payable of US\$366,420 (US\$3,098,983 in 2010).

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. As at March 31, 2011, the Company did not have enough funds available to satisfy its obligations under trade and other payables and commitments.

In the past few years, the Company has financed its liquidity needs primarily by issuing equity securities. As the Company is currently incurring operating losses, additional capital will be required to continue exploration activities on the properties.

Price Risk

The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of developing the Company's mineral properties. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Price risk is remote since the Company is not a revenue producing entity.

RISKS FACTORS

The Company is engaged in the business of acquiring and exploring mineral properties in the hope of locating economic deposits of minerals. The Company's property interests are in the exploration stage only and are without a known body of commercial ore. Accordingly, there is little likelihood that the Company will realize any profits in the short to medium term. Any profitability in the future from the Company's business will be dependent upon locating an economic deposit of minerals. However, there can be no assurance, even if an economic deposit of minerals is located, that it can be commercially mined.

Additional Equity Financing

The advancement, exploration and development of KWG's properties, including continuing exploration and development projects, and, if warranted, construction of mining facilities and commencement of mining operations, will require substantial additional financing. The most likely source of such future financing that would be available to KWG is through the sale of additional equity capital. However, there can be no assurance that such financing will be available to KWG or that it will be obtained on terms favourable to KWG or will provide KWG with sufficient funding to meet its objectives or capital or operating requirements, which may adversely affect KWG's business, financial condition and results of operations. Additional financing may not be available when needed or, if available, the terms of such financing might not be favourable to KWG and might involve substantial dilution to existing shareholders.

Failure to obtain sufficient financing as and when required by KWG will result in a delay or indefinite postponement of the advancement, exploration or development on any or all of KWG's properties or even a loss of a property interest, which would have a material adverse effect on KWG's business, financial condition and results of operations. Global securities markets are currently experiencing volatility, which may result in difficulty in raising equity capital and market forces may render it difficult or impossible for KWG to secure purchasers of KWG's securities at prices which will not lead to severe dilution to existing shareholders, or at all.

Going Concern

KWG's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they become due. There can be no assurance once a decision is made with respect to future activities that KWG will be able to execute on its plans. The consolidated financial statements of KWG do not include any adjustments related to the carrying values and classification of assets and liabilities should KWG be unable to continue as a going concern.

Regulation and Environmental Requirements

The activities of the Company require permits from various governmental authorities and are governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, environmental protection and other matters. Increased costs and delays may result of the need to comply with applicable laws and regulations. If the Company is unable to obtain

or renew licenses, approvals and permits, it may be curtailed or prohibited from proceeding with exploration or development activities.

Capital Needs

The exploration, development, mining and processing of the Company's properties will require substantial additional financing. KWG's liquidity as at the date hereof is insufficient to meet KWG's corporate, administrative and exploration expenses and commitments for the remainder of 2011. KWG's only source of liquidity is cash and cash equivalent balances. Liquidity requirements are managed based upon forecasted cash flows to ensure that there is sufficient working capital to meet KWG's obligations. KWG's ability to continue its business operations is dependent on management's ability to secure additional financing. There is no assurance that such funding will be available to the Company or that it will be obtained on terms favourable to the Company or will provide the Company with sufficient funds to meet its objectives, which may adversely affect the Company's business and financial position. KWG's main funding requirements for 2011 are for its corporate overheads and continuation of its mineral exploration, property and project obligations, including professional fees, consultants' fees, investor relations, salaries and benefits and office overheads of approximately \$2,520,000 in the aggregate. As a result, KWG will be required to seek additional sources of equity financing before the end of the 2011 financial year, if not sooner, and has begun planning in this respect and is actively considering proposals. While KWG has been successful in raising such financing in the past, KWG's ability to raise additional equity financing may be affected by numerous factors beyond KWG's control, including, but not limited to, adverse market conditions and/or commodity price changes and economic downturn and those other factors listed under this "Risk Factors" section, and there can be no assurance that KWG will be successful in obtaining any additional financing required to continue its business operations and/or maintain its property interests or that it will be obtained on terms favourable to KWG or will provide KWG with sufficient funds to meet its objectives. Failure to obtain sufficient financing as and when required may result in delaying or indefinite postponement of exploration and/or development on any or all of KWG's properties or even a loss of property interest, which would have a material adverse effect on KWG's business, financial condition and results of operations.

Commodity Prices

The market price of the Company's common shares, its financial results and its exploration, development and mining activities have previously been, or may in the future be, significantly adversely affected by declines in the price of precious or base minerals.

Uninsured Risks

KWG's business is subject to a number of risks and hazards, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to KWG's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Land Title

Although KWG has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged or impugned. Third parties may have valid claims against the KWG properties.

OTHER

National Instrument 51-102 - Section 5.3

Below is a detailed analysis of exploration expenditures incurred for the three months ended March 31, 2011 with comparative figures for the year ended December 31, 2010 on a property by property basis.

Spider No. 1/MacFadyen and Kyle

Cost and deferred exploration expenses	Three months ended March 31, 2011	Year ended December 31, 2010
	\$	\$
Balance – Beginning of the period	2,516,896	2,501,951
Exploration expenses		
Drilling	-	-
Engineering	-	9,445
Management	-	5,500
Reports	-	-
	-	14,945
Balance – End of the period	<u>2,516,896</u>	<u>2,516,896</u>

Freewest

Cost and deferred exploration expenses	Three months ended March 31, 2011	Year ended December 31, 2010
	\$	\$
Balance – Beginning of the period	6,454,391	4,760,372
Exploration expenses		
Camp expenses	-	256,133
Consulting	-	39,550
Drafting	-	9,474
Drilling	84,282	801,647
Environmental	-	13,776
Fuel costs	-	-
Geology	11,835	269,466
Geophysics	-	39,071
License fees	-	25,167
Line cutting	-	8,360
Management	33,565	107,900
Metallurgical costs	22,348	-
Planning	-	32,493
Resource studies	147,470	58,084
Sampling	-	-
Survey	6,886	32,898
Travel & accommodation	-	-
	306,386	1,694,019
Balance – End of the period	<u>6,760,777</u>	<u>6,454,391</u>

Diagnos

Cost and deferred exploration expenses	Three months ended March 31, 2011	Year ended December 31, 2010
	\$	\$
Balance – Beginning of the period	189,120	97,865
Exploration expenses		
Drafting	-	229
Drilling	-	34,532
Geology	-	16,625
Geophysics	-	4,151
Line Cutting	-	6,782
Management	-	3,570
Planning	-	664
Staking	-	24,702
	-	91,255
Balance – End of the period	189,120	189,120

Pele Mountain

Cost and deferred exploration expenses	Three months ended March 31, 2011	Year ended December 31, 2010
	\$	\$
Balance – Beginning of the period	556,878	479,278
Exploration expenses		
Consulting	-	77,600
Reports	5,500	-
	5,500	77,600
Balance – End of the period	562,378	556,878

Railway Infrastructure

Cost and deferred exploration expenses	Three months ended March 31, 2011	Year ended December 31, 2010
	\$	\$
Balance – Beginning of the period	14,313,571	2,897,437
Exploration expenses		
Camp expenses	36,000	344,889
Claims staking	-	-
Draft closure plan	(9,000)	33,008
Engineering costs	522,950	6,310,314
Field consultants	29,104	226,413
Flight costs	-	3,105,854
Fuel costs	-	467,596
LiDAR data collection fees	-	98,106
Line cutting	-	810,643
Travel & accommodation	360	19,311
	579,414	11,416,134
Balance – End of the period	14,892,985	14,313,571

Smelter Royalty

Cost and deferred exploration expenses	Three months ended March 31, 2011	Year ended December 31, 2010
	\$	\$
Balance – Beginning of the period	2,682,587	2,682,587
Exploration expenses		
Financing costs	10,000	-
Balance – End of the period	<u>2,692,587</u>	<u>2,682,587</u>

All Projects Combined

Cost and deferred exploration expenses	Three months ended March 31, 2011	Year ended December 31, 2010
	\$	\$
Balance – Beginning of the period	31,340,134	18,256,842
Exploration expenses		
Camp expenses	36,000	601,022
Consulting	-	117,150
Draft closure plan	(9,000)	33,008
Drafting	-	9,703
Drilling	84,282	836,179
Engineering	522,950	6,319,759
Environmental	-	13,776
Field consultants	29,104	226,413
Financing costs	10,000	-
Flight costs	-	3,105,854
Fuel costs	-	467,596
Geology	11,835	286,091
Geophysics	-	43,222
License fees	-	25,167
LiDAR data collection fees	-	98,106
Line cutting	-	825,785
Management	33,565	116,970
Metallurgical costs	22,348	
Planning	-	33,157
Reports	5,500	-
Resource studies	147,470	58,084
Staking	-	24,702
Survey	6,886	32,898
Travel & accommodation	360	19,311
	<u>901,300</u>	<u>13,293,953</u>
Write downs taken in the year	-	(210,661)
Balance – End of the period	<u>32,291,434</u>	<u>31,340,134</u>

The following is a detailed break-down of administrative expenses incurred for the year ended March 31, 2011 with comparative figures for the same period in 2010.

Administrative Expenses	Three months ended March 31, 2011	Three months ended March 31, 2010
	\$	\$
Advertising & Promotion	10,115	7,740
Audit Fees	15,000	15,000
Consultant's Fees	58,935	111,223
Directors Fees & Insurance	18,562	15,409
Filing Fees	31,521	10,150
Investor Relations Fees	8,930	35,937
Legal Fees	44,913	74,540
Office Overhead	59,648	53,022
Salaries	196,520	150,259
Seminars & Conferences	5,125	3,950
Travel & Accommodation	18,472	12,650
Administrative recovery	(62,430)	-
	<hr/>	<hr/>
Total Administrative Expenses	405,311	489,880

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Disclosure of Outstanding Share Data (as at May 2, 2011)

Common shares outstanding: 636,878,941

Warrants outstanding: 169,065,162

Each warrant entitles the holder to purchase one common share of the Company at the following prices:

Number of Warrants	Exercise Price \$	Expiry Date
2,416,269	0.10	October 2011
4,000,000	0.15	February 2012
19,495,000	0.15	March 2012
24,928,673	0.15	April 2012
200,000	0.10	May 2012
1,300,000	0.10	June 2012
1,000,000	0.10	July 2012
1,000,000	0.10	August 2012
5,000,000	0.10	September 2012
21,911,540	0.10	October 2012
8,697,500	0.12	October 2012
4,135,000	0.15	December 2012
7,062,326	0.18	December 2012
17,208,015	0.10 U.S.	March 2014
9,310,839	0.10 U.S.	April 2014
15,000,000	0.10	July 2014
26,400,000	0.10	August 2014

Options outstanding: 61,543,200 - average exercise price of \$0.115

Each option entitles the holder to purchase one Common Share of the Company at the following prices:

<i>Number of Options</i>	<i>Exercise Price \$</i>	<i>Expiry Date</i>
1,700,000	0.10	December 2011
2,690,000	0.10	June 2012
1,820,000	0.10	September 2012
500,000	0.15	October 2012
3,410,000	0.12	November 2012
2,000,000	0.12	December 2012
2,216,600	0.10	February 2013
588,100	0.10	May 2013
400,000	0.10	October 2013
5,673,500	0.10	October 2014
24,545,000	0.125	May 2015
1,500,000	0.14	June 2015
11,000,000	0.10	December 2015
3,500,000	0.115	March 2016

FORWARD LOOKING INFORMATION

This MD&A contains or refers to forward-looking information. All information, other than information regarding historical fact that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future is forward-looking information. Such forward-looking information includes, without limitation: the economic potential of the Project (as defined below); the proposed construction of a rail line; the continued maintenance, exploration and the development of the Company's properties and the costs related thereto, as well as the Company's expectation of periodically requiring additional funds therefore; exploration, development and operational plans, objectives and budgets; the expected strategic importance and value of the Company's mineral property interests outside of the Project, including expectations regarding the Company's participation in the development of the McFaulds Lake properties; expectations regarding the consultation, assessment and construction of a railroad, including the costs and timing associated therewith; mineral resource estimates; potential mineral resources; the Company's plans with respect to the distribution of the DDI (as defined below) common shares as a dividend in kind to the Company's shareholders; plans with respect to the use of private placement proceeds; estimates relating to critical accounting policies; the Company's expectations with respect to pursuing new opportunities and acquisitions and its future growth; estimated operating expenses; and the Company's ability to raise new funding.

Forward-looking information is subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, the Company. Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to: demand for ferrochrome by global integrated steel producers; the impact of consolidation and rationalization in the steel industry; the grade and recovery of ore varying from estimates; delays in, or the failure to, develop the projects of the Company caused by unavailability of equipment; labour or supplies, weather and climatic conditions, labour disputes, financing or other factors; risks normally incidental to exploration and development of mineral properties; uncertainties in the interpretation of drill results; the possibility that future exploration, development or mining results will not be consistent with expectations; uncertainty of mineral resources estimates; the Company's inability to obtain, maintain, renew and/or extend required licences, permits, authorizations and/or approvals from the appropriate regulatory authorities and other risks relating to the applicable regulatory framework; the Company's inability to maintain its title to its assets; capital and operating costs varying significantly from estimates; the Company's inability to participate in and/or develop the Company's property interests outside of the Project; inflation; changes in exchange and interest rates; adverse changes in commodity prices; the inability of the Company to obtain required financing; the Company's inability to declare and/or pay a dividend on its Common Shares as proposed in the MD&A, or at all; adverse general market conditions; the

Company's inability to delineate additional mineral resources and delineate mineral reserves; operating hazards and risks, management and control; environmental risks; adverse land claims; future unforeseen liabilities and other factors including, but not limited to, those listed under "Risk Factors" in this MD&A.

Any forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR (WWW.SEDAR.COM).