

**KWG RESOURCES INC.**  
**Offering of Units and Flow-Through Shares**

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**Terms and Conditions**

August 15, 2014

*A preliminary short form prospectus containing important information relating to the securities described in this document has been filed with the securities regulatory authorities in British Columbia, Ontario and Quebec. A copy of the preliminary short form prospectus is required to be delivered to any investor that received this document and expressed an interest in acquiring the securities.*

*The preliminary prospectus is still subject to completion. Copies of the preliminary prospectus may be obtained from Secutor Capital Management Corporation, Peter Graham, at 1167 Caledonia Road, Toronto, Ontario, M6A 2X1, (416) 545-1015. There will not be any sale or any acceptance of an offer to buy the securities until a receipt for the final short form prospectus has been issued.*

*This document does not provide full disclosure of all material facts relating to the securities offered. Investors should read the preliminary short form prospectus, final short form prospectus and any amendment for disclosure of those facts, especially risk factors relating to the securities offered, before making an investment decision.*

**Issuer:** KWG Resources Inc. (“KWG” or the “Corporation”). KWG is an exploration stage company that is participating in the discovery, delineation and development of chromite deposits in the James Bay Lowlands of Northern Ontario.

**Offering:** A minimum of 18,181,818 units (the “Units”) of the Corporation and 18,181,818 flow-through shares of the Corporation (the “FT Shares”) and a maximum of 45,454,545 units and 45,454,545 FT Shares to be issued from treasury pursuant to the short form prospectus provisions and requirements under National Instrument 44-101 (collectively, the “Offering”).

Each FT Share consists of one Common Share of the Corporation to be issued as a “flow-through share” within the meaning of the *Income Tax Act* (Canada).

Each Unit consists of three non “flow-through” common shares in the capital of the Corporation (each, a “Common Share”) and two non “flow-through” Common Share purchase warrants of the Corporation (each, a “Warrant”). Each Warrant will be exercisable to purchase one Common Share of the Corporation (a “Warrant Share”) at a price of \$0.10 per Warrant Share for a period of 24 months after the closing of the Offering.

**Issue Price:** \$0.165 per Unit.  
\$0.055 per FT Share.

**Offering Amount:** A maximum of \$10,000,000 comprised of \$7,500,000 principal amount of Units and \$2,500,000 principal amount of FT Shares. Closing of the Offering is conditional upon the Corporation receiving minimum gross proceeds of \$4,000,000 from the sale of 18,181,818 Units and 18,181,818 FT Shares.

**Over-Allotment Option:** The Agent (as defined below) shall have the option (the “Over-Allotment Option”), exercisable in whole or in part, to purchase up to an additional 15% of the Units (the “Over-Allotment Units”) and to sell up to an additional 15% of the FT Shares (the “Over-Allotment FT Shares”), on the same terms and conditions as set forth herein to cover over-allocation positions, if any, and for market stabilization purposes. The Over-Allotment Option in respect of the Over-Allotment FT Shares shall expire concurrently with the closing of the Offering. The Over-Allotment Option in respect of



the Over-Allotment Units may be exercised at any time up to 30 days following the closing of the Offering.  
The FT Shares, Over-Allotment FT Shares, Units and Over-Allotment Units, including the securities underlying such securities, are collectively referred to herein as the “Offered Securities”.

**Issue Type:** The Offering will be conducted on a “best effort” agency basis to be completed by way of a short form prospectus.

**Eligibility for Investment:** It is anticipated that the FT Shares, Common Shares, Warrants and Warrant Shares will be “qualified investments” under the *Income Tax Act* (Canada) for trusts governed by a registered retirement savings plan, a registered retirement income fund, a registered education savings plan, a deferred profit sharing plan, a registered disability savings plan and a tax-free savings account.

**Tax Considerations on FT Shares** Each FT Share will be a Common Share in the capital of the Corporation that qualifies as a “flow-through share” within the meaning assigned by subsection 66(15) of the *Income Tax Act* (Canada). The Corporation will incur (or will be deemed to have incurred) on or before December 31, 2015, and renounce to each subscriber of FT Shares, effective on or before December 31, 2014, Canadian exploration expenses in an amount equal to the aggregate purchase price paid by each subscriber for the FT Shares.

**Closing Date:** The closing of the Offering is expected to occur on or about ●, 2014 or such other date as the Agent and the Corporation may determine but in any event no later than the 90<sup>th</sup> day on which the Corporation receives a receipt for its final short form prospectus, unless an amendment is filed provided that the total period of distribution under the Offering will not exceed 180 days from the date of the receipt for the final prospectus..

**Use of Proceeds:** The proceeds of the Offering will be used by the Corporation primarily towards (i) exploration activities at the Fishtrap Project; (ii) continuing the commercialization and development of the new methods of production of chromium iron alloys from chromite ore and of production of low carbon chromium iron alloys; (iii) exploration activities at the Koper Lake Project; and (iv) administrative and general expenses and working capital of the Corporation.

**Agent and Bookrunner:** Secutor Capital Management Corporation (the “Agent”).

**Commission:** The Corporation will pay the Agent a cash commission of (i) 6% of the aggregate gross proceeds of the sale of the Offered Securities, excluding any Offered Securities sold under the Offering pursuant to the terms of the shareholder agreement between the Corporation and Cliffs Greene B.V. or to parties set out in a list provided by the Corporation to the Agent (collectively, “Exempt Purchasers”); and, (ii) a cash commission of 3% of the aggregate cash proceeds of the sale of the Offered Securities to Exempt Purchasers.

The Corporation will also grant to the Agent such number of options (the “Agent’s Options”) entitling the Agent to acquire that number of Common Shares of the Corporation (the “Agent’s Common Shares”) equal to 6% of the total number of Common Shares and FT Shares issued and sold pursuant to the Offering (excluding any Common Shares and Flow-Through Shares



issued to any Exempt Purchasers), including pursuant to the exercise, if any, of the Over-Allotment Option. The Agent's Options may be exercised at any time during a period of 24 months following the date of their grant at a price equal to \$0.055 per Agent's Common Share.

Listing:

The Corporation has applied to list the Common Shares and the Warrant Shares issuable under the Units, the FT Shares, the Agent's Common Shares, the Common Shares and the Warrant Shares issuable under the Over-Allotment Units and the Over-Allotment FT Shares to be issued under the Offering on the TSX Venture Exchange ("TSX-V") and the Canadian Securities Exchange ("CSE"). Listing will be subject to the Corporation fulfilling all of the listing requirements of the TSX-V and the CSE. The Corporation will not apply to list the Warrants on the TSX-V or the CSE. The Corporation's Common Shares trade under the symbol "KWG".

