

*A copy of this amended and restated preliminary short form prospectus has been filed with the securities regulatory authorities in each of Ontario, British Columbia and Quebec, but has not yet become final for the purpose of the sale of securities. Information contained in this amended and restated preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.*

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any state of the United States of America. Accordingly, the securities may not be offered, sold or delivered, directly or indirectly, in the United States of America (as such term is defined in Regulation S under the U.S. Securities Act) (the "United States" or "U.S.") except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States. See "Plan of Distribution" for more information.*

*Information has been incorporated by reference in this short form prospectus from documents filed with the securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of KWG Resources Inc. at 600 de Maisonneuve Boulevard West, Suite 2750, Montréal, Québec H3A 3J2, Telephone (514) 866-6001 and are also available electronically at [www.sedar.com](http://www.sedar.com).*

**Amended and Restated Preliminary Short Form Prospectus dated November 13, 2014  
Amending and Restating a Preliminary Short Form Prospectus dated August 15, 2014**

New Issue

November 13, 2014

## **KWG RESOURCES INC.**

**\$4,000,000 Minimum Offering and \$10,000,000 Maximum Offering Comprised of:  
Up to 50,000,000 Units**

**\$0.15 per Unit**

**-and-**

**Up to 50,000,000 Flow-Through Shares**

**\$0.05 per Flow-Through Share**

This short form prospectus qualifies the distribution (the "Offering") of: (a) a minimum of: (i) 20,000,000 units ("Units") of KWG Resources Inc. (the "Corporation" or "KWG") at a price of \$0.15 per Unit (the "Unit Offering Price"); and (ii) 20,000,000 common shares in the capital of KWG which will each qualify as a "flow-through" share ("Flow-Through Shares") within the meaning of the *Income Tax Act* (Canada) (the "Tax Act") and the regulations thereunder (the "Regulations") at a price of \$0.05 per Flow-Through Share (the "Flow-Through Offering Price"), for total gross proceeds of \$4,000,000 (the "Minimum Offering"); and (b) a maximum of (i) 50,000,000 Units at the Unit Offering Price; and (ii) 50,000,000 Flow-Through Shares at the Flow-Through Offering Price for total gross proceeds of \$10,000,000 (the "Maximum Offering").

Each Unit is comprised of three non "flow-through" common shares in the capital of KWG (each an "Offered Common Share") and two non "flow-through" common share purchase warrants (each an "Offered Warrant"). Each Offered Warrant will entitle the holder to purchase one non "flow-through" common share in the capital of KWG (a "Warrant Share") until the date that is 24 months following the Closing Date (as defined below) on which such Offered Warrant is issued at a price of \$0.10 per Warrant Share.

The head and registered office of the Corporation is located at 600 de Maisonneuve Boulevard West, Suite 2750, Montréal, Québec H3A 3J2.

The Corporation will covenant to incur (or be deemed to incur), on or before December 31, 2015, and to renounce, effective on or before December 31, 2014, to each subscriber of Flow-Through Shares, "Canadian exploration expenses" as such term is defined in the Tax Act ("CEE") in an amount equal to the aggregate subscription price for the Flow-Through Shares paid by such subscriber. See "Details of the Offering" and "Certain Canadian Federal Income Tax Considerations" for more information.

The securities underlying the Units and the Flow-Through Shares will be sold pursuant to an agency agreement (the “**Agency Agreement**”) dated ●, 2014 between the Corporation and Secutor Capital Management Corporation (the “**Agent**”). Each of the Unit Offering Price, the Flow-Through Offering Price and the exercise price of the Offered Warrants was determined by negotiation between the Agent and the Corporation. The Offering is subject to the Minimum Offering being achieved. Proceeds received from the Offering will be available to the Corporation for the purposes set out under the heading “*Use of Proceeds*”.

	<b>Price to Public</b>	<b>Agent’s Commission<sup>(1)(2)</sup></b>	<b>Net Proceeds to the Corporation<sup>(3)(4)</sup></b>
Per Unit.....	\$0.15	\$0.009	\$0.141
Per Flow-Through Share.....	\$0.05	\$0.003 <sup>(5)</sup>	\$0.047 <sup>(5)</sup>
Total Minimum Offering .....	\$4,000,000	\$240,000	\$3,760,000
Total Maximum Offering .....	\$10,000,000	\$600,000	\$9,400,000

**Notes:**

- (1) The Corporation has agreed to pay the Agent a cash commission of: (i) 6% of the aggregate gross proceeds of the sale of the Offered Securities (as defined below), excluding any Offered Securities sold under the Offering pursuant to the terms of the Shareholder Agreement (as defined below) 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 (collectively, the “**Agent’s Commission**”). See “*Plan of Distribution*” for more information.
- (2) As additional compensation, the Agent will be issued non-transferable compensation options (the “**Agent’s Options**”) entitling the Agent to subscribe for the aggregate number of non “flow-through” common shares of the Corporation that is equal to 6% of the total number of Offered Common Shares and Flow-Through Shares issued under the Offering (excluding any Offered Common Shares and Flow-Through Shares issued to any Exempt Purchasers). Each Agent’s Option will entitle the holder thereof to acquire one non “flow-through” common share in the capital of the Corporation (an “**Agent’s Common Share**”) until the date that is 24 months following the Closing Date on which such Agent’s Option is issued, at a price of \$0.055 per Agent’s Common Share. The Agent’s Options are qualified for distribution by this short form prospectus.
- (3) Before deducting expenses of the Offering, estimated to be \$490,000.
- (4) If the Over-Allotment Option (as defined below) is exercised in full, the total Offering, Agent’s Commission, estimated expenses and net proceeds to the Corporation will be \$11,500,000, \$690,000, \$490,000 and \$10,320,000, respectively. This short form prospectus also qualifies for distribution the grant of the Over-Allotment Option and the issuance of the Additional Units, the securities underlying the Additional Units, and the Additional Flow-Through Shares (as defined below) pursuant to the exercise of the Over-Allotment Option. See “*Plan of Distribution*” for more information.
- (5) The Agent’s Commission payable in respect of the sale of Flow-Through Shares will be paid by the Corporation out of its working capital. The Corporation will ensure that an amount equal to the gross aggregate subscription price for the Flow-Through Shares will be spent to incur (or be deemed to incur) CEE on or before December 31, 2015.

The outstanding common shares in the capital of the Corporation (the “**Common Shares**”) are listed on the TSX Venture Exchange (“**TSXV**”) under the trading symbol “KWG”, on the Canadian Securities Exchange (“**CSE**”) under the symbol “KWG” and on the Börse Frankfurt (“**FSE**”) under the symbol “KW6”. On November 12, 2014, the last complete trading day prior to the date hereof, the closing price of the Common Shares on the TSXV, on the CSE and the FSE was \$0.035, \$0.035 and €0.020 per Common Share, respectively.

**There is currently no market through which the Offered Warrants may be sold and purchasers may not be able to resell the Offered Warrants purchased under this short form prospectus. This may affect the pricing of the Offered Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Offered Warrants and the extent of issuer regulation. See “Risk Factors” and “Details of the Offering – Offered Warrants” for more information.**

The Corporation has granted to the Agent an option (the “**Over-Allotment Option**”) exercisable, in whole or in part and from time to time, at the sole discretion of the Agent to sell, as agent, up to an additional 7,500,000 Flow-Through Shares (the “**Additional Flow-Through Shares**”) at the Flow-Through Offering Price and to purchase up to an additional 7,500,000 Units (the “**Additional Units**”) at the Unit Offering Price to cover over-allotments, if any, and for market stabilization purposes. The Over-Allotment Option in respect of the Additional Flow-Through Shares shall expire concurrently with the closing of the Offering on the final Closing Date. The Over-Allotment Option in respect of the Additional Units may be exercised at any time up to 30 days following the final Closing Date. This short form prospectus qualifies for distribution the grant of the Over-Allotment Option and the issuance of the Additional Units, the securities underlying the Additional Units, and the Additional Flow-Through Shares pursuant to the exercise of the Over-Allotment Option. A purchaser who acquires Units or Flow-Through Shares forming part of the Agent’s over-allocation position acquires those Units or Flow-Through Shares under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or, in respect of Offered Common Shares and Offered Warrants, through secondary market purchases.

Unless the context otherwise requires, references in this short form prospectus to: (i) Units include the Additional Units; (ii) Flow-Through Shares include the Additional Flow-Through Shares; (iii) Offered Common Shares include the Offered Common Shares forming part of the Additional Units; (iv) Offered Warrants include the Offered Warrants forming part of the Additional Units; and (v) Warrant Shares include the Warrant Shares issuable on exercise of the Offered Warrants forming part of the Additional Units, as applicable. The Flow-Through Shares, Additional Flow-Through Shares, Units and Additional Units, including the securities underlying such securities, are collectively referred to herein as the “**Offered Securities**”.

<b>Agent’s Position</b>	<b>Maximum size or number of securities</b>	<b>Exercise period</b>	<b>Exercise price</b>
Over-Allotment Option	7,500,000 Additional Units	With respect to the Additional Units, 30 days following the final Closing Date	\$0.15 per Additional Unit
	7,500,000 Additional Flow-Through Shares	With respect to the Additional Flow-Through Shares, concurrently with closing of the Offering on the final Closing Date	\$0.05 per Additional Flow-Through Share
Agent’s Options	13,800,000 Agent’s Common Shares	24 months following the Closing Date on which such Agent’s Option is issued	\$0.055

The Agent conditionally offers the Units and Flow-Through Shares on a best efforts basis in accordance with the conditions contained in the Agency Agreement referred to under “*Plan of Distribution*” and subject to approval of certain legal matters on behalf of the Corporation by Norton Rose Fulbright Canada LLP, and on behalf of the Agent by Lavery, de Billy L.L.P. The Agent has agreed to act and the Corporation has appointed the Agent for the Offering. Subject to applicable laws and in connection with the Offering, the Agent may over-allot or effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See “*Plan of Distribution*” for more information.

Subscriptions for Units and Flow-Through Shares will be received subject to rejection or allotment in whole or in part. **Completion of the Offering is subject to achievement of the Minimum Offering.** Provided that the Minimum Offering is achieved, the initial closing of the Offering is expected to occur on or about ●, 2014 or such later date as the Corporation and the Agent may agree, and the unsold Units and Flow-Through Shares will continue to be offered for sale and one or more additional closings may occur within 90 days after the date of the receipt for the final prospectus, unless an amendment to the final prospectus is filed and a receipt obtained therefor by the Corporation in accordance with applicable securities laws, 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. The date of each closing, including the initial date of closing expected to occur on or about ●, 2014 is herein after referred to as the “**Closing Date**”. Until the initial Closing Date, all subscription funds received by the Agent will be held in trust by the Agent pending the initial closing of the Offering and thereafter, all subscription funds received by the Agent will be held in trust by the Agent pending each respective Closing Date. The Offering will be discontinued and the Agent will return the subscription proceeds to the subscribers without interest or deduction, unless such subscribers otherwise instruct the Agent, if the Minimum Offering has not been achieved on or prior to the 90th day after the date on which the Corporation receives a receipt for the final prospectus, unless an amendment to the final prospectus is filed and a receipt obtained therefor by the Corporation in accordance with applicable securities laws, 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. See “*Plan of Distribution*” for more information.

It is expected that the Offered Common Shares, Offered Warrants and Flow-Through Shares will be issued and deposited in electronic form with CDS Clearing and Depository Services Inc. (“**CDS**”) on each Closing Date. No certificates evidencing the Offered Common Shares, Offered Warrants or Flow-Through Shares will be issued to purchasers, except in certain limited circumstances, and registration will be made in the depository service of CDS. Purchasers of the Units and Flow-Through Shares will receive only a customer confirmation from the Agent or other registered dealer who is a CDS participant (“**Participant**”) and from or through whom a beneficial interest in the securities underlying the Units or Flow-Through Shares is purchased. See “*Plan of Distribution*” for more information.

**An investment in the Offered Securities should be considered speculative due to various factors, including the nature of the Corporation’s involvement in the exploration for minerals, including chromite, and the acquisition and**

**development of mineral properties. The risk factors outlined in or incorporated by reference in this short form prospectus should be carefully reviewed and considered by prospective purchasers in connection with an investment in any of the Offered Securities. See “Risk Factors” and “Forward-Looking Information” for more information.**

Investors should rely only on the information contained in this short form prospectus and the documents incorporated by reference herein. KWG has not authorized anyone to provide investors with different information. KWG is not offering the Offered Securities in any jurisdiction in which the Offering is not permitted. Investors should not assume that the information contained in this short form prospectus is accurate as of any date other than the date of this short form prospectus. Subject to KWG’s obligations under applicable securities laws, the information contained in this short form prospectus is accurate only as of the date of this short form prospectus regardless of the time of delivery of this short form prospectus or of any sale of the Units or Flow-Through Shares.

Unless otherwise indicated, all dollar amounts in this short form prospectus are expressed in Canadian dollars.

A director of the Corporation, Ms. Cynthia Thomas resides outside of Canada. Ms. Thomas has appointed the following agent for service of process:

<b>Name of Director</b>	<b>Name and Address of Agent</b>
Cynthia Thomas	Norton Rose Fulbright Canada LLP Royal Bank Plaza, South Tower, Suite 3800 200 Bay Street, P.O. Box 84, Toronto, ON, M5J 2Z4 Attention: Marvin Singer

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

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## FORWARD-LOOKING INFORMATION

This short form prospectus, and the documents incorporated by reference herein, contain or refer to “forward-looking information” within the meaning of applicable Canadian securities legislation. Forward-looking information is provided as of the date of this short form prospectus or, in the case of documents incorporated by reference herein as of the date of such documents. Generally, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “expects”, “is expected”, “budget”, “estimates”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might”, “occur” or “be achieved”.

All information, other than information regarding historical fact that addresses activities, events or developments that KWG 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 “Big Daddy” chromite deposit (as further described in the AIF, as defined below);
- expectations regarding the consultation, assessment, approval and construction of a proposed railroad, permanent amphibious aerodrome together with an adjacent and permanent all-weather runway and heliport terminal, including the costs and timing associated therewith;
- the exploration and the development of the Big Daddy Project, the Koper Lake Project and the Fishtrap Lake Project (each as defined below), and the costs related thereto, as well as the Corporation’s expectation of periodically requiring additional funds therefor;
- exploration, development and operational plans, objectives and budgets;
- the expected strategic importance and value of the Corporation’s mineral property interests outside of the Black Horse chromite deposit, which forms part of the Koper Lake Project, and the Big Daddy chromite deposit, including expectations regarding the Corporation’s participation in the development of such projects;
- the status of the aggregate claims of the Corporation’s subsidiary, Canada Chrome Corporation (“CCC”);
- acquiring up to an 80% interest in respect of chromite contained in the Koper Lake Project, and up to a 20% interest in respect of the non-chromite minerals contained in the Koper Lake Project;
- the economic potential of the Black Horse chromite deposit, which forms part of the Koper Lake Project;
- any information (including scope, likelihood of grant, enforceability, infringement, freedom to operate and commercial value) relating to the patent applications to be used to support the commercialization of methods of production of chromium iron alloys from chromite ore, and methods of production of low carbon chromium iron alloys;
- the development and commercialization of the New Production Methods (as defined below);
- completion of the Testing and Piloting Program (as defined below);
- mineral resource estimates;
- potential mineral resources;
- the Corporation’s expectations with respect to pursuing new opportunities and acquisitions and its future growth;
- estimated operating expenses;
- the Corporation’s ability to raise new funding;
- the use by the Corporation of proceeds of the Offering;
- the terms of the Offering (including the manner of distribution);

- the listing of the Offered Common Shares, the Warrant Shares, the Flow-Through Shares and the Agent's Common Shares on the TSXV and the CSE; and
- the anticipated initial Closing Date.

With respect to forward-looking information contained in this short form prospectus, and the documents incorporated by reference herein, the Corporation has made assumptions regarding, among other things:

- the sustained level of demand for ferrochrome by global integrated steel producers;
- the Corporation's ability to access sufficient funds to carry out its anticipated plans;
- the Corporation's ability to hire and retain qualified management and staff and to source adequate equipment in a timely and cost-effective manner to meet the Corporation's demands;
- the regulatory framework governing environmental matters in Ontario;
- the grant of a patent on any invention disclosed in the patent applications relating to the Chromium IP (as defined below), and any expected benefit of commercialization relating thereto;
- the unlikelihood of First Nations or other claims in relation to the Koper Lake Project, the Big Daddy Project or the Fishtrap Lake Project;
- CCC's ability to obtain the approvals required for the proposed railway;
- the Ontario government and federal government's support of the development of the Ring of Fire area; and
- the satisfaction of the conditions to closing of the Offering (including the receipt, in a timely manner, of regulatory and other required approvals).

Forward-looking information contained in this short form prospectus, and the documents incorporated by reference herein, is subject to a number of risks and uncertainties that may cause the actual results of the Corporation 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 Corporation.

Some of the risks that could affect the Corporation's future results and could cause results to differ materially from those expressed in the Corporation's forward-looking statements include:

- risks normally incidental to exploration and development of mineral properties;
- uncertainty of mineral resources estimates;
- uncertainties in the interpretation of drill results;
- the possibility that future exploration, development or mining results will not be consistent with expectations;
- the grade and recovery of ore varying from estimates;
- the Corporation's inability to acquire an interest in the Koper Lake Project;
- the Corporation's inability to participate in and/or develop the Corporation's property interests in respect of the Big Daddy Project, or outside of the Koper Lake Project, the Big Daddy Project or the Fishtrap Lake Project;
- the Corporation's inability to delineate additional mineral resources and delineate mineral reserves;
- the Corporation's inability to maintain its title to its assets;

- the Corporation's inability to obtain, maintain, renew and/or extend required licenses, permits, authorizations and/or approvals from the appropriate regulatory authorities and other risks relating to the applicable regulatory framework;
- environmental damages and the cost of compliance with environmental regulations;
- environmental risks;
- adverse land claims from First Nations groups or other parties;
- lack of adequate infrastructure;
- a lack of support from the Ontario government and federal government for the development of the Ring of Fire area;
- the effect that the issuance of additional securities could have on the market price of the Common Shares;
- capital and operating costs varying significantly from estimates;
- the Corporation's lack of history of earnings;
- the patents to be used to support the commercialization of the Chromium IP will not be granted;
- the inability to develop and/or complete the construction of a proposed railroad, permanent amphibious aerodrome together with an adjacent and permanent all-weather runway and heliport terminal;
- slowing demand for ferrochrome products;
- adverse general market conditions;
- inflation;
- changes in exchange and interest rates;
- adverse changes in commodity prices;
- the impact of consolidation and rationalization in the steel industry;
- competition;
- the Corporation's dependence on key employees, contractors and management;
- the risk that conflicts of interest between certain directors or officers and the Corporation will limit the Corporation's ability to participate in a project or opportunity;
- the occurrence of losses, liabilities or damages not covered by KWG's insurance policies;
- the failure of KWG's co-venturers to meet their obligations;
- the Corporation's inability to exert direct influence over strategic decisions made in respect to properties that are subject to the terms of option agreements and/or joint ventures;
- the risk that the Corporation may become subject to legal proceedings, the resolution of which could have a material effect on its financial position, results of operations and mining and project development operations;
- the risk that amendments to current laws, regulations and permits governing operations and activities of mining companies will have a material adverse impact on KWG;
- varying government entities interpreting existing tax legislation or enacting new tax legislation in a way which adversely affects the Corporation;
- the risk that the new method of refining chromite ore contained in the Black Horse deposit into ferrochrome that is the subject of the Chromium IP Transaction (as defined below) does not prove efficient or economical;



- intellectual property litigation;
- management's discretion as to use of proceeds;
- volatility in the market price of the Common Shares;
- the risk that the Corporation fails to achieve profitability and generate positive operating cash flows;
- lack of dividends;
- inaccuracy of forward-looking statements;
- risks related to the tax treatment of the Flow-Through Shares;
- the risk that Cliffs Natural Resources Inc. ("**Cliffs**") obtains an easement over certain mining claims staked by CCC;
- the risk of write-downs of carrying amounts of the Corporation's exploration and evaluation projects; and
- those additional risk factors set forth under "*Risk Factors*" below and under "*Risk Factors*" in the AIF and under "*Risk Factors*" in the Interim MD&A (as defined below).

All of the forward-looking information provided in this short form prospectus is qualified by these cautionary statements and readers of this short form prospectus are cautioned not to put undue reliance on forward-looking statements due to their inherent uncertainty. 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 Corporation disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. These forward-looking statements should not be relied upon as representing the Corporation's views as of any date subsequent to the date of this short form prospectus.

## DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with provincial securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of the Corporation at 600 de Maisonneuve Boulevard West, Suite 2750, Montréal, Québec H3A 3J2, telephone (514) 866-6001. Copies of the documents incorporated herein by reference are also available at [www.sedar.com](http://www.sedar.com).

The following documents of the Corporation, filed with the various provincial securities commissions or similar authorities in Canada, are specifically incorporated into and form an integral part of this short form prospectus:

- (a) the annual information form of the Corporation for the year ended December 31, 2013 dated June 3, 2014 (the “**AIF**”), excluding the disclosure under the heading “The Big Daddy Project” commencing at page 25 of the AIF (as a result of such disclosure having been updated by the Big Daddy Technical Report, as defined below);
- (b) the technical report entitled “National Instrument 43-101 Technical Report, Big Daddy chromite deposit, McFaulds Lake Area, Ontario, Canada, Porcupine Mining Division, NTS 43D16, Mineral Resource Estimation Revised Technical Report, UTM: Zone 16, 551333m E, 5845928m N, NAD83” dated November 12, 2014 (the “**Big Daddy Technical Report**”);
- (c) the audited consolidated financial statements of the Corporation, together with the independent auditor’s report thereon and the notes thereto, as at and for the years ended December 31, 2013 and 2012;
- (d) the Corporation’s management’s discussion and analysis for the period ended December 31, 2013 dated April 8, 2014;
- (e) the consolidated interim financial statements of the Corporation, together with the notes thereto, as at and for the periods ended June 30, 2014 and June 30, 2013;
- (f) the Corporation’s management’s discussion and analysis for the period ended June 30, 2014 dated August 13, 2014 (the “**Interim MD&A**”);
- (g) the material change report dated January 3, 2014 concerning the closing of a tranche of a previously announced private placement (the “**Private Placement**”) of “flow-through” units, comprising one “flow-through” Common Share and one warrant which may be exercised to acquire a further “flow-through” Common Share for \$0.10 at any time within three years from the date of issue of the “flow-through” unit (each a “**Flow-Through Unit**”);
- (h) the material change report dated February 12, 2014 concerning the issuance of 10,000,000 Common Shares for the option payment due to Fancamp Exploration Inc. (“**Fancamp**”) and the issuance of 282,500 of Common Shares at \$0.05 per Common Share to AGORACOM Inc (“**AGORACOM**”);
- (i) the material change report dated February 24, 2014 concerning the closing of the last tranche of the Private Placement;
- (j) the material change report dated April 4, 2014, concerning the closing of a private placement of Flow-Through Units;
- (k) the material change report dated April 11, 2014, concerning the results of laboratory tests regarding a new method of refining the Black Horse chromite, located at the Koper Lake Project, into a metallized chrome and iron alloy;

- (l) the material change report dated April 30, 2014, concerning the closing of a private placement of “flow-through” units, comprising one “flow-through” Common Share and one warrant which may be exercised to acquire a further “flow-through” Common Share for \$0.15 at any time within 12 months from the date of issue of the “flow-through” unit;
- (m) the material change report dated May 22, 2014, concerning the closing of a transaction (the “**Chromium IP Transaction**”) to acquire 50% of the ownership rights in two United States provisional patent applications relating to the production of chromium iron alloys directly from chromite ore, and the production of low carbon chromium iron alloys directly from chromite concentrates (the “**Chromium IP**”). The interest acquired by KWG pursuant to the Chromium IP Transaction includes the right to use the provisional patent applications in respect of the Chromium IP as the basis for filing additional patent applications in the United States, Canada and elsewhere worldwide;
- (n) the material change report dated June 19, 2014, concerning the issuance of 201,785 Common Shares to AGORACOM, excluding the references therein to the issuance of “201,845 common shares” and “282,500 shares at \$0.05”, which are superseded by the information contained in this Prospectus under the heading “Prior Sales”, and the material change report dated September 10, 2014;
- (o) the material change report dated August 12, 2014, concerning the issuance of 128,410 Common Shares to AGORACOM;
- (p) the material change report dated August 20, 2014, concerning the filing of the preliminary short form prospectus in respect of the Offering;
- (q) the amended material change report dated September 10, 2014, amending the material change report dated June 19, 2014 concerning the issuance of 201,785 Common Shares to AGORACOM; and
- (r) the management information circular dated June 2, 2014 in connection with the annual and special meeting of the shareholders of the Corporation held on June 30, 2014.

Any documents of the type required by National Instrument 44-101 to be incorporated by reference in a short form prospectus including any material change reports (excluding confidential reports), comparative condensed interim consolidated financial statements, comparative consolidated annual financial statements and the independent auditor’s report thereon, management’s discussion and analysis of financial condition and results of operations, information circulars, annual information forms and business acquisition reports filed by the Corporation with the securities commissions or similar authorities in the provinces of Canada subsequent to the date of this short form prospectus and prior to the termination of this distribution shall be deemed to be incorporated by reference in this short form prospectus.

**Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.**

## **KWG RESOURCES INC.**

The Corporation was incorporated by Letters Patent under the *Mining Companies Act* (Quebec) on August 21, 1937 under the name Kewagama Gold Mines (Quebec) Limited (No Personal Liability) and Supplementary Letters Patent were issued on August 20, 1973, September 5, 1980 and March 27, 1981. On November 16, 1988, the Corporation was continued under Part IA of the *Companies Act* (Quebec) under the name Kewagama Gold Mines (Québec) Ltd. / Les mines d'or Kewagama (Québec) Itée and, by Certificate of Amendment dated August 26, 1991, the Corporation's name changed to its current form, KWG Resources Inc. / Ressources KWG inc. On February 29, 2012, the Corporation's articles and by-laws were amended to align with new amendments to Quebec corporate law.

The registered and head office of the Corporation is located at 600 de Maisonneuve West, Suite 2750, Montréal, Quebec, H3A 3J2. The Corporation has an office at 141 Adelaide Street West, Suite 420, Toronto, Ontario, M5H 3L5.

### **Subsidiaries**

CCC, incorporated under the *Business Corporations Act (Ontario)* (the “**OBCA**”) on February 20, 2009, is a wholly-owned subsidiary of the Corporation. Canada Chrome Mining Corporation (“**CCMC**”), incorporated under the *Canada Business Corporations Act* on June 4, 2010 and SMD Mining Corporation incorporated under the OBCA on January 16, 2008, are also wholly-owned subsidiaries of the Corporation.

The Corporation wholly owns Métallurgie Muketi Commandité inc./ Muketi Metallurgical, General Partner Inc. (“**MMC**”) incorporated under the *Business Corporations Act* (Québec) on April 2, 2014 and Métallurgie Muketi KWG-Commanditaire inc. / Muketi Metallurgical KWG-Limited Partner Inc. (“**MKC**”) incorporated under the *Business Corporations Act* (Québec) on April 2, 2014. MMC and MKC are the general partner and a limited partner (holding a 50% interest), respectively, of Muketi Metallurgical, L.P. (“**MMLP**”), a Delaware limited partnership created on April 8, 2014 which holds the Chromium IP.

### **Summary Description of the Business**

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, including 1,024 hectares covered by four unpatented mining claims approximately 280km north of Nakina, Ontario, which contains the Black Horse chromite deposit (the “**Koper Lake Project**”), and 1,241 hectares covered by seven unpatented mining claims approximately 280km north of Nakina, Ontario, which contains the Big Daddy chromite deposit (the “**Big Daddy Project**”). These deposits are globally significant sources of chromite which may be reduced into metallized iron and chrome, or refined into ferrochrome, a principal ingredient in the manufacture of stainless steel. KWG has been active in exploring the James Bay Lowlands since 1993 and discovered diamond bearing kimberlite pipes near Attawapiskat and five pipes near the Ring of Fire area in 1994. This led to the discovery of the McFaulds Lake copper-zinc volcanogenic sulphide deposits in 2002, which precipitated a staking rush that defined the “Ring of Fire”.

### **The Big Daddy Project and the Koper Lake Project**

The Corporation has the right to acquire: (i) up to an 80% interest in respect of chromite contained in the Koper Lake Project; and (ii) up to a 20% interest in respect of the non-chromite minerals contained in the Koper Lake Project. The Corporation also has a 30% interest in the Big Daddy Project. See “*General Development of the Business*” and “*Description of Business*” in the AIF for more information.

### **Proposed Railway Extension**

Through CCC, the Corporation has also staked mining claims in Northern Ontario with a view to the development and construction of a proposed railway from Nakina, Ontario to the Koper Lake Project and the Big Daddy Project, as well as exploring for, delineating and developing aggregate and other minerals. See “*Description of Business*” in the AIF and “*Recent Developments*” for more information.

## **The Fishtrap Lake Project**

Through CCC, the Corporation holds 28 contiguous claims, containing 432 claim units, on a property located 50 kilometres south of the Koper Lake Project and the Big Daddy Project, at Fishtrap Lake, Ontario (the “**Fishtrap Lake Project**”). The western portion of such claim block is contiguous with CCC’s claims. A detailed description of the Fishtrap Lake Project is provided below.

### **History**

In 2001, Aurora Platinum Inc. (“**Aurora**”) and other companies acquired properties by staking mining claims in areas known to be underlain by mafic intrusive complexes throughout Northwestern Ontario in search for mineral deposits of platinum, palladium, nickel and copper. One such complex known at that time was the Fishtrap Lake Intrusive Complex (“**FLIC**”), which is located on a property approximately located 50 kilometers south of the Koper Lake Project and the Big Daddy Project at Fishtrap Lake, Ontario. Aurora staked 49 claims, totaling 760 claim units covering the central portion of the FLIC, while a competitor, Northern Shield Resources, staked 37 claims totaling 535 claim units covering the eastern portion of the FLIC. In 2001, Aurora collected rock samples from the few bedrock exposures for geochemical characterization purposes. In 2002, Aurora conducted an airborne magnetic-electromagnetic survey. In 2005, Aurora was acquired by FNX Mining Company Inc. In 2006, another airborne magnetic-electromagnetic survey was conducted. In 2007, INV Metals Inc. (“**INV**”) purchased the property from Aurora. In 2008, INV conducted a program consisting of cutting a grid, geological mapping and sampling, a ground magnetic survey and a horizontal loop ground electromagnetic survey. The survey located four conductive targets and a follow-up program of diamond drilling was recommended. INV did not conduct work on the property subsequent to the 2008 program. In 2009, CCC staked claims for the purpose of a transportation corridor that abutted the pre-existing INV claims. The proposed corridor passed through the INV claims. In 2010, CCC conducted a geotechnical soil sampling program on its staked claims and the INV claims to evaluate the physical properties of the soil needed for rail embankment engineering. In 2012, the ownership of the INV claims was transferred to CCC. In addition to the value of those INV claims that contain the transportation corridor, several of such claims contain exposed bedrock that could be used as consolidated aggregate needed for a planned railroad embankment. This source of bedrock is of strategic value as it is the only easily accessible source of high quality consolidated aggregate in the northern two thirds of a 320 kilometer transportation corridor.

CCC filed for assessment its geotechnical soil sampling program on the claims and distributed the assessment credits generated under the *Mining Act* (Ontario) to the higher priority claims, and allowed lower priority claims to lapse. As of the date hereof, the Fishtrap Lake Project consists of 28 contiguous claims, containing 432 claim units. Those claims containing the transportation corridor are prioritized, followed by those containing bedrock exposures, and lastly those claims containing magnetic and electromagnetic anomalies that could be associated with high concentrations of valuable metallic minerals.

### **Current Status**

On August 21, 2014, CCC submitted an exploration permit application to Ministry of Northern Development and Mines (“**MNDM**”) for the Fishtrap Lake Project. CCC initiated the consultation process with the nearest First Nation community. The consultation did not progress sufficiently and on October 21, 2014, MNDM placed CCC’s application on temporary hold to allow more time for consultation with the local First Nation communities. CCC subsequently submitted an application to MNDM for an “Exclusion of Time” for all the Fishtrap Lake Project claims, as such claims required additional assessment credits in order to maintain them in good standing beyond their October 31, 2014 due date. These credits will be generated as a result of conducting a core drilling program with the objective of discovering valuable concentrations of metallic minerals. As at November 12, the Fishtrap Lake Project claims have not been cancelled by the MNDM and the application for an Exclusion of Time remains under review by the MNDM.

Further details concerning KWG, including information with respect to its assets, operations and history are provided in the AIF and other documents incorporated by reference into this short form prospectus. Readers are encouraged to review these documents as they contain important information about KWG. See “*General Development of the Business*” and “*Description of the Business*” in the AIF for more information.

## Recent Developments

On June 27, 2014, the Provincial Mining Recorder for Ontario (the “**Mining Recorder**”) issued an order awarding the Corporation two 16-unit claims which are contiguous to the southern two claims held by Fancamp in the Koper Lake Project. The two claim blocks were first staked by the Corporation in June 2011 but were subject to a dispute before the Mining Recorder between the Corporation and Noront Resources Ltd. (“**Noront**”). The Mining Recorder’s order provides that the Corporation will have until June 24, 2016 to perform and file the first unit of assessment work. On July 23, 2014, the Corporation was served with a notice of appeal of such order by Noront.

On August 1, 2014, the Divisional Court of the Ontario Superior Court of Justice (the “**Divisional Court**”) released its decision in the appeal brought by 2274659 Ontario Inc., a subsidiary of Cliffs, of the order of the Ontario Mining and Lands Commissioner (“**MLC**”) issued on September 10, 2013. The MLC had dismissed the application of 2274659 Ontario Inc. for an order to dispense with the requirement for CCC to consent to the grant of an easement to Cliffs over the corridor of mining claims staked by CCC for the proposed railway corridor. The Divisional Court allowed the appeal, set aside the decision of the MLC and granted the original application to dispense with such requirement. On August 12, 2014, CCC’s Notice of Motion for Leave to Appeal to the Court of Appeal was served on the parties to the proceeding before the Divisional Court. See “*General Development of the Business*” and “*Description of the Business*” in the AIF for more information on CCC’s claims.

On August 12, 2014, the technical report entitled “National Instrument 43-101 Technical Report, Big Daddy chromite deposit, McFaulds Lake Area, Ontario, Canada, Porcupine Mining Division, NTS 43D16, Mineral Resource Estimation Revised Technical Report, UTM: Zone 16, 551333m E, 5845928m N, NAD83” dated August 12, 2014 (the “**August Big Daddy Technical Report**”) was filed updating certain information contained in the technical report titled “National Instrument 43-101 Technical Report, Big Daddy chromite deposit, McFaulds Lake Area, Ontario, Canada, Porcupine Mining Division, NTS 43D16, Mineral Resource Estimation Revised Technical Report, UTM: Zone 16, 551333m E, 5845928m N, NAD83” dated May 29, 2014 (the “**May Big Daddy Technical Report**”). The May Big Daddy Technical Report was incorporated by reference in the AIF.

The August Big Daddy Technical Report was filed in order to accommodate certain comments received from l’Autorité des marchés financiers (Québec). The May Big Daddy Technical Report did not include information regarding a previously completed preliminary economic assessment in respect of the Big Daddy Project (the “**PEA**”), as the author of the report did not consider the PEA to be current. The August Big Daddy Technical Report included language clarifying that its author did not consider the PEA to be current.

The August Big Daddy Technical Report also included revisions to the sections titled: (i) “Mineral Resource Estimation” to include further details regarding key assumptions, parameters and methods used by the author to estimate the mineral resources; and (ii) “Sample Preparation, Analyses and Security” to include further details regarding, among other things, sample methods and quality control measures and a summary of the nature, extent and results of quality control procedures employed.

On September 22, 2014, KWG announced that it had filed an international patent application under the Patent Cooperation Treaty. This will provide KWG with the right to file patent applications in over 140 countries around the world in order to secure its rights to the New Production Methods.

On October 1, 2014, KWG and Bold Ventures Inc. (“**Bold**”) extended by 30 days to October 30, 2014, the deadline by which the Company must provide binding notice (“**Binding Notice 2**”) to Bold pursuant to the option agreement between KWG and Bold regarding the Koper Lake Project (the “**Koper Lake Option Agreement**”). Pursuant to the terms of the Koper Lake Option Agreement, KWG must provide Bold with Binding Notice 2 by September 30, 2014 if it intends to make the \$700,000 option payment due February 7, 2015 and expend an aggregate of \$8,000,000 on the Koper Lake Project by March 31, 2015.

On November 5, 2014, KWG and Bold further extended the deadline by which KWG must provide Binding Notice 2 from October 30, 2014 to December 30, 2014. If Binding Notice 2 is not delivered within the extended time, KWG’s option regarding the Koper Lake Project will be terminated.

On November 13, 2014, the Big Daddy Technical Report was filed correcting certain information contained in the August Big Daddy Technical Report. The August Big Daddy Report includes an incorrect table in

Appendix 1. Specifically, the table in question had incorrect data under the column heading “Dip” resulting from a transposition of columns from the original source table to the table in the Appendix. While the error is not material, for clarity purposes it has been corrected in the Big Daddy Technical Report.

## DESCRIPTION OF CAPITAL STRUCTURE

### General Description

#### Common Shares

The authorized capital of the Corporation consists of an unlimited number of Common Shares. As at the date hereof, there are issued and outstanding: 777,842,468 Common Shares. Holders of the Common Shares are entitled to receive notice of, attend and vote at, any meeting of shareholders of the Corporation. Holders of Common Shares are entitled to receive on a pro rata basis such dividends as may be declared by the board of directors of the Corporation (the “**Board**”) out of funds legally available therefor. In the event of the liquidation, dissolution or winding up of the Corporation, holders of Common Shares will be entitled to receive on a pro rata basis all the assets of the Corporation remaining after payment of all of the Corporation's liabilities.

#### Outstanding Convertible Securities

As of the date hereof, the following warrants to purchase Common Shares are outstanding:

Number of Warrants	Exercise Price	Expiry Date
21,000,000	\$0.15	August 2016
3,000,000	\$0.12	March 2017
25,000,000	\$0.10	May 2019

As of the date hereof, the following warrants to purchase “flow-through” Common Shares are outstanding:

Number of Warrants	Exercise Price	Expiry Date
2,200,000	\$0.15	April 2015
6,000,000	\$0.10	June 2016
5,000,000	\$0.10	September 2016
4,760,000	\$0.10	October 2016
27,200,000	\$0.10	November 2016
2,310,000	\$0.10	December 2016
200,000	\$0.10	January 2017
1,700,000	\$0.10	February 2017
1,000,000	\$0.10	March 2017

As of the date hereof, the following compensation options to purchase Common Shares are outstanding:

Number of Compensation Options	Exercise Price	Expiry Date
332,000	\$0.05	November 2016
20,000	\$0.05	March 2017

As of the date hereof, the following options to purchase Common Shares are outstanding:

Number of Options	Exercise Price	Expiry Date
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
800,000	\$0.10	November 2016
7,100,000	\$0.10	March 2017
12,336,000	\$0.10	May 2018
8,400,000	\$0.10	April 2019

### Shareholder Agreement

In March 2009, the Corporation and Cliffs Greene B.V. (“**Cliffs B.V.**”), entered into a shareholder agreement (the “**Shareholder Agreement**”) pursuant to which:

- (1) Cliffs B.V. was granted rights of first refusal with respect to the issuance (whether by private placement, public offering or otherwise) of securities of the Corporation, allowing Cliffs B.V. to purchase (with certain enumerated exceptions) all such securities offered by the Corporation in respect of any issuances;
- (2) Cliffs B.V. was granted pre-emptive rights with respect to the issuance (whether by private placement, public offering or otherwise) of securities of the Corporation, allowing Cliffs B.V. to purchase from the Corporation (on the same terms as applicable in the particular issuance) such number of securities as is necessary to ensure that Cliffs B.V.’s percentage ownership of securities (calculated on a fully diluted basis) immediately after such issuance would be nearly as nearly equal as possible to its percentage ownership immediately before such issuance; and
- (3) as long as Cliffs B.V. and its affiliates collectively own at least 10% of the outstanding voting securities of the Corporation, Cliffs B.V. is entitled to appoint one nominee to the Board for election at the annual general meeting of the shareholders. Any vacancy in the Board created by the removal or resignation of the nominee of Cliffs B.V. shall be filled with a new designee of Cliffs B.V. The appointment of any nominee or designee is subject to any applicable securities law and stock exchange requirements. As of the date hereof, Cliffs B.V. does not have a nominee on the Board.

Cliffs B.V. did not exercise its right of first refusal or pre-emptive rights under the Shareholders Agreement with respect to the Offering and such rights expired on August 25, 2014.

### DETAILS OF THE OFFERING

The Minimum Offering is comprised of: (i) 20,000,000 Units at the Unit Offering Price and (ii) 20,000,000 Flow-Through Shares at the Flow-Through Offering Price. The Maximum Offering is comprised of: (i) 50,000,000 Units at the Unit Offering Price and (ii) 50,000,000 Flow-Through Shares at the Flow-Through Offering Price.

Each Unit is comprised of three Offered Common Shares and two Offered Warrants. Each whole Offered Warrant will entitle the holder to purchase one Warrant Share until the date that is 24 months following the Closing Date on which such Offered Warrant is issued at a price of \$0.10 per Warrant Share.

The Corporation has granted to the Agent an Over-Allotment Option exercisable, in whole or in part and from time to time, at the sole discretion of the Agent to sell as agent up to 7,500,000 Additional Flow-Through



Shares at the Flow-Through Offering Price and to purchase up to 7,500,000 Additional Units at the Unit Offering Price. The Over-Allotment Option in respect of the Additional Flow-Through Shares shall expire concurrently with the closing of the Offering on the final Closing Date. The Over-Allotment Option in respect of the Additional Units may be exercised at any time up to 30 days following the final Closing Date. This short form prospectus qualifies for distribution the grant of the Over-Allotment Option and the issuance of the Additional Units, the securities underlying the Additional Units, and the Additional Flow-Through Shares pursuant to the exercise of the Over-Allotment Option. A purchaser who acquires Units or Flow-Through Shares forming part of the Agent's over-allocation position acquires those Units or Flow-Through Shares under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or, in respect of Offered Common Shares and Offered Warrants, through secondary market purchases.

In consideration for its services in connection with the Offering, the Corporation has agreed to pay the Agent the Agent's Commission of: (i) 6% of the aggregate gross proceeds of the sale of the Offered Securities, excluding any Offered Securities sold to Exempt Purchasers; and, (ii) a cash commission of 3% of the aggregate cash proceeds of the sale of the Offered Securities to Exempt Purchasers. As additional compensation, the Agent will be issued non-transferable Agent's Options entitling the Agent to subscribe for the aggregate number of Common Shares that is equal to 6% of the total number of Offered Common Shares and Flow-Through Shares issued under the Offering (including those issued under the Over-Allotment Option but excluding any Offered Common Shares and Flow-Through Shares issued to any Exempt Purchasers). Each Agent's Option will entitle the holder thereof to acquire one Agent's Common Share until the date that is 24 months following the Closing Date on which such Agent's Option is issued, at a price of \$0.055 per Agent's Common Share. The Agent's Options are qualified for distribution by this short form prospectus.

### **Offered Warrants**

Each whole Offered Warrant will be transferable and will entitle the holder (a "**Warrantholder**") to purchase one Warrant Share at a price of \$0.10 per share for a period of 24 months following the Closing Date on which such Offered Warrant is issued, after which time the Offered Warrants will expire. The Offered Warrants will be issued under an indenture (the "**Warrant Indenture**") to be entered into between the Corporation and Computershare Trust Company of Canada (the "**Warrant Agent**") on or before the initial Closing Date. The Corporation will appoint the principal transfer office of the Warrant Agent in Montreal as the location at which the Offered Warrants may be surrendered for exercise, transfer or exchange.

The Offered Warrants have not been and will not be registered under the U.S. Securities Act, or any state securities laws. The Offered Warrants may not be transferred except (i) to the Corporation; or (ii) outside the United States in accordance with Rule 904 of Regulation S under the U.S. Securities Act, and the Offered Warrants may not be exercised by any U.S. Person, any person in the United States or any person for the account or benefit of a U.S. Person except by original purchasers of the Units in certain transactions exempt from the registration requirements of the U.S. Securities Act. The term "U.S. Person" has the meanings ascribed to it in Regulation S under the U.S. Securities Act. See "*Plan of Distribution*" for more information.

The Warrant Indenture will provide for adjustment in the number of Warrant Shares issuable upon the exercise of the Offered Warrants and/or the exercise price per Warrant Share upon the occurrence of certain events, including:

- (i) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all of the holders of the Common Shares by way of a stock dividend or other distribution (other than a "dividend paid in the ordinary course", as defined in the Warrant Indenture, or a distribution of Common Shares upon the exercise of any outstanding warrants or options);
- (ii) the subdivision, redivision or change of the Common Shares into a greater number of shares;
- (iii) the consolidation, reduction or combination of the Common Shares into a lesser number of shares;
- (iv) the issuance to all or substantially all of the holders of the Common Shares of rights, options or warrants under which such holders are entitled, during a period expiring not more than 45 days after the record date for such issuance, to subscribe for or purchase Common Shares, or securities exchangeable for

or convertible into Common Shares, at a price per share to the holder (or at an exchange or conversion price per share) of less than 95% of the “current market price”, as defined in the Warrant Indenture, for the Common Shares on such record date; and

(v) the issuance or distribution to all or substantially all of the holders of the Common Shares of securities of the Corporation including rights, options or warrants to acquire Common Shares or securities exchangeable or convertible into Common Shares, evidences of indebtedness, or cash, securities or any property or other assets.

The Warrant Indenture will also provide for adjustment in the class and/or number of securities issuable upon the exercise of the Offered Warrants and/or exercise price per security in the event of the following additional events:

(i) reclassifications of the Common Shares;

(ii) consolidations, amalgamations, arrangements or mergers of the Corporation with or into any other corporation or other entity (other than consolidations, amalgamations, arrangements or mergers which do not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other shares); or

(iii) the transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another corporation or other entity.

No adjustment in the exercise price or the number of Warrant Shares issuable upon the exercise of the Offered Warrants will be required to be made unless the cumulative effect of such adjustment or adjustments would result in a change of at least 1% in the exercise price or a change in the number of Warrant Shares issuable upon exercise by at least one one-hundredth of a Warrant Share, as the case may be.

The Corporation will covenant in the Warrant Indenture that, during the period in which the Offered Warrants are exercisable, it will give notice to Warrantheholders of certain stated events, including events that would result in an adjustment to the exercise price for the Offered Warrants or the number of Warrant Shares issuable upon exercise of the Offered Warrants, at least five days prior to the record date or effective date, as the case may be, of such event.

No fractional Warrant Shares will be issuable upon the exercise of any Offered Warrants. Warrantheholders will not have any voting or pre-emptive rights or any other rights which a holder of Common Shares would have.

The Warrant Indenture will provide that, from time to time, the Corporation and the Warrant Agent, without the consent of the Warrantheholders, may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not prejudice the rights of any Warrantheholder. Any amendment or supplement to the Warrant Indenture that would prejudice the interests of the Warrantheholders may only be made by “extraordinary resolution”, which will be defined in the Warrant Indenture as a resolution either (1) passed at a meeting of the Warrantheholders at which there are Warrantheholders present in person or represented by proxy representing at least 25% of the aggregate number of the then outstanding Offered Warrants (unless such meeting is adjourned to a prescribed later date due to a lack of quorum, at which adjourned meeting the Warrantheholders present in person or by proxy shall form a quorum) and passed by the affirmative vote of Warrantheholders representing not less than 66 2/3% of the aggregate number of all the then outstanding Offered Warrants represented at the meeting and voted on the poll upon such resolution, or (2) adopted by an instrument in writing signed by the Warrantheholders representing not less than 66 2/3% of the aggregate number of all the then outstanding Offered Warrants.

The foregoing summary of certain provisions of the Warrant Indenture does not purport to be complete and is qualified in its entirety by reference to the provisions of the Warrant Indenture in the form to be agreed upon by the parties, which will be filed by the Corporation under its corporate profile on SEDAR following the closing of the Offering. A register of holders will be maintained at the principal offices of the Warrant Agent in Montreal.

## **Flow-Through Shares - Renunciation of CEE**

Each of the Flow-Through Shares will qualify as a “flow-through” share within the meaning of the Tax Act. The Corporation will covenant to incur (or be deemed to incur) on or before December 31, 2015, and renounce to each subscriber of Flow-Through Shares effective on or before December 31, 2014, CEE in an amount equal to the aggregate subscription price for the Flow-Through Shares paid by such subscriber. See “*Certain Canadian Federal Income Tax Considerations*”.

Subscriptions for Flow-Through Shares will be made pursuant to one or more subscription and renunciation agreements (collectively, the “**Subscription Agreement**”) in substantially the form attached hereto as Schedule “A”, to be made between the Corporation and the Agent or one or more sub-agents of the Agent, as agent for, on behalf of and in the name of all subscribers of Flow-Through Shares. **Subscribers who place an order to purchase Flow-Through Shares with the Agent, or any sub-agent of the Agent, will be deemed to have authorized the Agent, or such sub-agents, to execute and deliver, on their behalf, the Subscription Agreement.**

Pursuant to the Subscription Agreement, the Corporation will covenant and agree (i) to incur (or be deemed to incur) on or before December 31, 2015, and renounce to each subscriber of Flow-Through Shares effective on or before December 31, 2014, CEE in an amount equal to the aggregate subscription price paid by such subscriber for the Flow-Through Shares, and (ii) that if the Corporation does not renounce to such subscriber, effective on or before December 31, 2014, CEE equal to such amount, or if there is a reduction in such amount renounced pursuant to the provisions of the Tax Act, the Corporation shall indemnify the subscriber as to, and forthwith pay in settlement thereof to such subscriber, an amount equal to the amount of any tax payable under the Tax Act (and under any corresponding provincial legislation) by the subscriber (or if the subscriber is a partnership, the partners thereof) as a consequence of such failure or reduction. For greater certainty, the foregoing indemnity shall have no force or effect and the subscriber shall not have any recourse to the extent that such indemnity or recourse would otherwise cause the Flow-Through Shares to be “prescribed shares” within the meaning of section 6202.1 of the Regulations. The Subscription Agreement will contain additional representations, warranties, covenants and agreements by the Corporation in favour of the subscriber of Flow-Through Shares, which are consistent with and supplement the Corporation’s obligations as described in this short form prospectus.

**The Subscription Agreement will also provide representations, warranties and agreements of the subscriber, and by its purchase of Flow-Through Shares, each subscriber of Flow-Through Shares offered hereunder will be deemed to have represented, warranted and agreed, for the benefit of the Corporation and the Agent that:** (i) the subscriber, and any beneficial purchaser for whom it is acting deals, and until January 1, 2016 will continue to deal, at “arm’s length” with the Corporation for the purposes of the Tax Act; (ii) the subscriber, if an individual, is of the full age of majority and otherwise is legally competent to enter into the Subscription Agreement; (iii) the subscriber, if other than an individual, has the necessary capacity and authority to enter into the Subscription Agreement and has taken all necessary action in respect thereof; (iv) other than as provided herein and in the Subscription Agreement, the subscriber waives any right that it may have to any potential incentive grants, credits and similar or like payments or benefits which accrue as a result of the operations relating to CEE and acknowledges that all such grants, credits, payments or benefits accrue to the benefit of the Corporation; (v) the subscriber has received and reviewed a copy of this short form prospectus; (vi) neither the subscriber, nor any beneficial purchaser for whom it is acting, has or will enter into any arrangement that would cause any of the Flow-Through Shares to be a “prescribed share” for purposes of section 6202.1 of the Regulations; (vii) the liability of the Corporation to renounce CEE shall be limited to the extent specifically stated in this short form prospectus and the Subscription Agreement; (viii) the Subscription Agreement is subject to acceptance by the Corporation and is effective only upon such acceptance; (ix) neither the subscriber nor any beneficial purchaser for whom it is acting is a non-resident of Canada, or, if a partnership, is not a “Canadian partnership”, for the purposes of the Tax Act; (x) the Subscription Agreement has been duly and validly authorized, executed and delivered by and constitutes a legal, valid, binding and enforceable obligation of the subscriber; and (xi) the subscriber, or any beneficial purchaser for whom it is acting, as the case may be, is not, and is not acting for the account or benefit of any person that is, in the United States.

Notwithstanding the foregoing, the Corporation may enter into one or more subscription and renunciation agreements for Flow-Through Shares on such other terms as may be agreed to by the Corporation and the applicable subscriber.

## PRIOR SALES

The following table summarizes the issuances of Common Shares and securities convertible into Common Shares, within the twelve month period prior to the date of this short form prospectus.

Date of Issue	Type of security	Number of Securities Issued	Price per Security
2013-11-13	Flow-Through Unit <sup>(1)</sup>	27,200,000	\$0.05
2013-11-13	Compensation option <sup>(2)</sup>	332,000	\$0.05
2013-12-09	Common Shares	282,500	\$0.05
2013-12-16	Flow-Through Unit <sup>(1)</sup>	2,310,000	\$0.05
2014-01-17	Flow-Through Unit <sup>(1)</sup>	200,000	\$0.05
2014-02-07	Common Shares <sup>(3)</sup>	10,000,000	\$0.05 <sup>(3)</sup>
2014-02-07	Common Shares	282,500	\$0.05
2014-02-17	Flow-Through Unit <sup>(1)</sup>	1,200,000	\$0.05
2014-02-28	Flow-Through Unit <sup>(1)</sup>	500,000	\$0.05
2014-03-26	Flow-Through Unit <sup>(1)</sup>	1,000,000	\$0.05
2014-03-26	Compensation option <sup>(4)</sup>	20,000	\$0.05
2014-04-08	Stock option <sup>(5)</sup>	8,400,000	\$0.10
2014-04-21	Flow-through unit <sup>(6)</sup>	2,200,000	\$0.10
2014-05-12	Units <sup>(7)</sup>	25,000,000	\$0.10
2014-06-17	Common Shares	201,785	\$0.07
2014-08-05	Common Shares	128,410	\$0.055

### Notes:

- (1) Each Flow-Through Unit comprises one “flow-through” Common Share and one warrant which may be exercised to acquire a further “flow-through” Common Share for \$0.10 at any time within three years from the date of issuance of the Flow-Through Unit.
- (2) Each compensation option issued in November 2013 entitles the holder to acquire one Common Share at a price of \$0.05 until November 2016.
- (3) On February 7, 2014, the Corporation issued 10,000,000 Common Shares to Fancamp as part of the consideration to be paid pursuant to stage one of the option granted by Fancamp to Bold to acquire, in tranches, up to a 100% working interest in the Koper Lake Project, subject to a 2% net smelter returns royalty. KWG agreed to fund Bold’s obligations pursuant to the terms of the Koper Lake Option Agreement. This issuance of shares entitled the Corporation to continue to maintain the option to acquire up to 80% of Bold’s working interest in respect of chromite contained in the Koper Lake Project (the “**Chromite Interest**”) and up to 20% of Bold’s working interest in respect of other minerals contained in the Koper Lake Project (the “**Other Mineral Interest**”). See “*General Development of the Business - Three Year History and 2014 Developments - 2014*” in the AIF for more information.
- (4) Each compensation option issued in March 2014 entitles the holder to acquire one Common Share at a price of \$0.05 until March 2017.
- (5) Each stock option issued in April 2014 entitles the holder to acquire one Common Share at an exercise price of \$0.10 until April 2019.
- (6) Each “flow-through” unit issued in April 2014 comprises one “flow-through” Common Share and one warrant which may be exercised to acquire one “flow-through” Common Share for \$0.15 at any time within one year from the date of issuance of the “flow-through” unit.
- (7) On May 12, 2014, the Chromium IP Transaction was closed, pursuant to which KWG acquired a 50% interest in the Chromium IP. As part of the Chromium IP Transaction: (i) the vendor assigned its 50% interest in the Chromium IP to KWG in exchange for 25 million units of KWG (each, a “**KWG Unit**”), with each KWG Unit comprising one Common Share and one Common Share purchase warrant exercisable at \$0.10 for five years from closing; (ii) each of KWG and the vendor contributed its respective 50% interest in the Chromium IP to MMLP, with the result that each of KWG and the vendor hold a 50% partnership interest in MMLP; and (iii) KWG was granted the option to acquire a further 25% interest in MMLP from the vendor in exchange for an additional 12.5 million KWG Units at any time within one year from closing. If the option is exercised, KWG will have the option to acquire the remaining 25% interest in MMLP from the vendor in exchange for a further 12.5 million KWG Units at any time within one year after the exercise of the initial option.

## PLAN OF DISTRIBUTION

Under the Agency Agreement, the Corporation has appointed the Agent to act as agent to offer for sale to the public, on a best efforts basis: (i) a minimum of 20,000,000 Units and a maximum of 50,000,000 Units at the

Unit Offering Price; and (ii) a minimum of 20,000,000 Flow-Through Shares and a maximum of 50,000,000 Flow-Through Shares at the Flow-Through Offering Price, subject to the terms and conditions of the Agency Agreement.

Each Unit is comprised of three Offered Common Shares and two Offered Warrants. Each Offered Warrant will entitle the holder to purchase one Warrant Share until the date that is 24 months following the Closing Date on which such Offered Warrant is issued at a price of \$0.10 per Warrant Share. Each of the Unit Offering Price, the Flow-Through Offering Price and the exercise price of the Offered Warrants was determined by negotiation between the Corporation and the Agent. The Offering is subject to the Minimum Offering being achieved.

The obligations of the Agent under the Agency Agreement may be terminated if, in the opinion of the Agent, acting reasonably, certain stated events occur, including any material adverse change or material adverse effect occurs in the business, affairs or profitability of the Corporation.

In consideration for its services in connection with the Offering, the Corporation has agreed to pay the Agent the Agent's Commission of: (i) 6% of the aggregate gross proceeds of the sale of the Offered Securities, excluding any Offered Securities sold to Exempt Purchasers; and (ii) a cash commission of 3% of the aggregate cash proceeds of the sale of the Offered Securities to Exempt Purchasers. As additional compensation, the Agent will be issued the Agent's Option entitling the Agent to subscribe for the aggregate number of Agent's Common Shares that is equal to 6% of the total number of Offered Common Shares and Flow-Through Shares issued under the Offering (including those issued under the Over-Allotment Option but excluding any Offered Common Shares and Flow-Through Shares issued to any Exempt Purchasers). Each Agent's Option will entitle the holder thereof to acquire one Agent's Common Share until the date that is 24 months following the Closing Date on which such Agent's Option is issued, at a price of \$0.055 per Agent's Common Share. The Agent's Options are qualified for distribution by this short form prospectus.

The Corporation has granted to the Agent the Over-Allotment Option, exercisable, in whole or in part and from time to time, at the sole discretion of the Agent to sell as agent up to 7,500,000 Additional Flow-Through Shares at the Flow-Through Offering Price and to purchase up to 7,500,000 Additional Units at the Unit Offering Price. The Over-Allotment Option in respect of the Additional Flow-Through Shares shall expire concurrently with the closing of the Offering on the final Closing Date. The Over-Allotment Option in respect of the Additional Units may be exercised at any time up to 30 days following the final Closing Date. If the Over-Allotment Option is exercised in full, the total Offering, Agent's Commission, estimated expenses and net proceeds to the Corporation will be \$11,500,000, \$690,000, \$490,000 and \$10,320,000, respectively. This short form prospectus also qualifies the distribution of the Over-Allotment Option and the Additional Units and Additional Flow-Through Shares issuable upon exercise of the Over-Allotment Option.

The Agent conditionally offers the Units and Flow-Through Shares on a best efforts basis in accordance with the conditions contained in the Agency Agreement and subject to approval of certain legal matters on behalf of the Corporation by Norton Rose Fulbright Canada LLP, and on behalf of the Agent by Lavery, de Billy, L.L.P. Subscriptions for Units and Flow-Through Shares will be received subject to rejection or allotment in whole or in part. Provided the Minimum Offering is met, it is expected that the initial closing of the Offering will be on ●, 2014, or such other date as may be agreed on by the Corporation and the Agent, and the unsold Units and Flow-Through Shares will continue to be offered for sale and one or more additional closings may occur within 90 days after the date of the receipt for the final prospectus, unless an amendment to the final prospectus is filed and a receipt obtained therefor by the Corporation in accordance with applicable securities laws, 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. The Offering is being made in each of the provinces of British Columbia and Ontario.

In accordance with rules and policy statements of certain Canadian securities regulators, the Agent may not, at any time during the period of distribution, bid for or purchase securities of the Corporation. The foregoing restriction is, however, subject to exceptions where the bid or purchase is not made for the purpose of creating actual or apparent active trading in, or raising the price of, the Corporation's securities. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable regulatory authorities, including the Universal Market Integrity Rules for Canadian Marketplaces, relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. The Corporation has been advised that in connection with the Offering and pursuant to the first

mentioned exception, the Agent may over-allot or effect transactions which stabilize or maintain the price of the securities offered hereunder at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced may be discontinued at any time.

The Offered Warrants will not be listed on any stock exchange. There is no market through which the Offered Warrants may be sold and purchasers may not be able to resell the Offered Warrants purchased under this short form prospectus. This may affect the pricing of the Offered Warrants in the secondary market, the transparency and availability of trading prices and the liquidity of the Offered Warrants.

The Corporation will indemnify the Agent against certain liabilities in connection with the Offering, or contribute to payments that the Agent may be required to make in respect of those liabilities pursuant to the terms of the Agency Agreement.

Completion of the Offering is subject to achievement of the Minimum Offering. Until the initial Closing Date, all subscription funds received by the Agent will be held in trust by the Agent pending the initial closing of the Offering and thereafter, all subscription funds received by the Agent will be held in trust by the Agent pending each respective Closing Date. The Offering will be discontinued and the Agent will return the subscription proceeds to the subscribers without interest or deduction, unless such subscribers otherwise instruct the Agent, if the Minimum Offering has not been achieved on or prior to the 90th day after the date on which the Corporation receives a receipt for the final prospectus, unless an amendment to the final prospectus is filed and a receipt obtained therefor by the Corporation in accordance with applicable securities laws, 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.

Except as otherwise provided herein, on each Closing Date, the Offered Common Shares, Offered Warrants and Flow-Through Shares issued pursuant to the Offering will be registered to CDS or its nominee, CDS & Co. and will be deposited with CDS in an electronic format. Except in limited circumstances as described below, a purchaser acquiring a beneficial interest in the Offered Common Shares, Offered Warrants or Flow-Through Shares will not receive a certificate for Offered Common Shares, Offered Warrants or Flow-Through Shares, as the case may be, unless a certificate is requested. Purchasers of Offered Common Shares, Offered Warrants and Flow-Through Shares will not be shown on the records maintained by CDS except through a Participant.

Beneficial interests in Offered Common Shares, Offered Warrants and Flow-Through Shares will be represented solely through the non-certificated, electronic system and such interests will be evidenced by customer confirmations of purchase from the Participant from which the Offered Common Shares, Offered Warrants or Flow-Through Shares are purchased in accordance with the practices and procedures of that Participant. In addition, registration of interests in and transfers of the Offered Common Shares, Offered Warrants and Flow-Through Shares will be made only through the depository service of CDS.

As indirect holders of Offered Common Shares, Offered Warrants or Flow-Through Shares, investors should be aware that, subject to the circumstances described below, they: (a) will not have Offered Common Shares, Offered Warrants or Flow-Through Shares registered in their name; (b) will not have physical certificates representing their interest in the Offered Common Shares, Offered Warrants or Flow-Through Shares; (c) will not be able to sell the Offered Common Shares, Offered Warrants or Flow-Through Shares to institutions required by law to hold physical certificates for securities they own; and (d) may be unable to pledge Offered Common Shares, Offered Warrants or Flow-Through Shares as security.

The Offered Common Shares, Offered Warrants and Flow-Through Shares will be issued to beneficial owners thereof in fully registered and certificate form only if: (a) required to do so by applicable law; (b) the non-certificated, electronic system ceases to exist; (c) CDS advises the Corporation that CDS is no longer willing or able to properly discharge its responsibilities as depository with respect to the Offered Common Shares, Offered Warrants or Flow-Through Shares and the Corporation is unable to locate a qualified successor; or (d) the Corporation, at its option, decides to terminate the non-certificated system through CDS.

The Offered Warrants will be governed by the Warrant Indenture. See “*Description of The Securities Distributed – Offered Warrants*” for more information.

The Offered Securities (including the securities underlying such securities) have not been and will not be registered under the U.S. Securities Act, or any state securities laws, and the Offered Securities may not be offered or sold to, or for the account or benefit of, persons in the United States or U.S. Persons.

This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Offered Securities to, or for the account or benefit of, persons in the United States or U.S. Persons. In addition, until 40 days after the commencement of the Offering, an offer or sale of any of the Offered Securities within the United States by any dealer, whether or not participating in the Offering, may violate the registration requirements of the U.S. Securities Act.

At the discretion of the Agents, certain of the Units may be offered to investors in the United Kingdom, Germany and/or the Netherlands, although in such circumstances, any such offering will only be made on the basis set out in the Agency Agreement.

### **United Kingdom**

In the United Kingdom this short form prospectus is being distributed only to, and is directed only at, investors who are “qualified investors” within the meaning of section 86(7) of the Financial Services and Markets Act 2000, as amended (the “**FSMA**”) and; (i) fall within the categories of persons referred to in Article 19(5) (investment professionals) of the United Kingdom’s Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended (the “**Order**”), or high net worth entities falling within Article 49(2)(a) to (d) of the Order; or (ii) are otherwise lawfully permitted to receive it (each such person being referred to as a “Relevant Person” and collectively referred to as “**Relevant Persons**”).

This document is not a prospectus for the purposes of Section 85(1) of the FSMA and contains no offer of transferable securities to the public within the meaning of section 102B of the FSMA, the U.K. Companies Act 2006 or otherwise. Accordingly, this document has not been examined or approved as a prospectus by the U.K. Financial Conduct Authority (the “**FCA**”) under Section 87A of the FSMA and has not been filed with the FCA pursuant to the rules published by the FCA implementing the Prospectus Directive (Directive 2003/71/EC) nor has it been approved by a person authorized under the FSMA for the purposes of Section 21 of the FSMA. Any investment to which this short form prospectus relates is available in the United Kingdom only to (and any investment to which it relates will be engaged only with) Relevant Persons. Any person who is not a Relevant Person should not take any action based upon this document and should not rely on it. By accepting a copy of this short form prospectus and by offering to acquire Units under the Offering, each purchaser of Units resident in the United Kingdom will be deemed to have represented to the Corporation and the Agent, and acknowledges that each of the Corporation and the Agent is relying on such representation, that such purchaser is a Relevant Person.

### **European Economic Area**

This short form prospectus is not, and under no circumstances is it to be construed as, an advertisement or a public offering of Units in any member state of the European Economic Area which has implemented the Prospectus Directive (each a “**Relevant Member State**”). No securities commission or similar competent authority in any such Relevant Member State has reviewed or in any way passed on the merits of the Units described in this short form prospectus.

This short form prospectus is only addressed to and directed at, and the offering of Units will only be addressed to and directed at, persons in Relevant Member States (i) who are “qualified investors” (within the meaning of Article 2(1)(e) of the Prospectus Directive or implementing legislation in the Relevant Member State (“**European Qualified Investors**”)); or (ii) in any other circumstances which do not require publication by the Corporation or the Agent of a prospectus pursuant to Article 3 of the Prospectus Directive. Each purchaser of Units resident in a Relevant Member State will be deemed to have represented to the Corporation and the Agent, and acknowledges that each of the Corporation and the Agent are relying on such representation, that such purchaser is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive. For the purposes of this section, the expression “**Prospectus Directive**” means Directive 2003/71/EC as amended and includes any relevant implementing measure in the Relevant Member State.

## Flow-Through Shares

A description of the Flow-Through Shares can be found under the heading “*Details of the Offering*”.

## CAPITALIZATION OF THE CORPORATION

The following table sets forth the consolidated capitalization of the Corporation as at June 30, 2014 both before and after giving effect to the Minimum Offering and the Maximum Offering.

Description	Authorized	As at June 30, 2014	As at June 30, 2014 after giving effect to the Minimum Offering <sup>(2)(3)(4)</sup>	As at June 30, 2014 after giving effect to the Maximum Offering <sup>(2)(3)(4)</sup>	As at June 30, 2014 after giving effect to the Maximum Offering plus the Over-Allotment Option <sup>(2)(3)(4)</sup>
<b>Equity</b>					
Common Shares <sup>(1)</sup>	Unlimited	\$27,376,117 (777,714,058 Common Shares)	\$30,508,780 (857,842,468 Common Shares)	\$35,197,180 (977,842,468 Common Shares)	\$36,362,217 (1,007,842,468 Common Shares)
Warrants	-	\$4,246,983 (141,122,000 warrants)	\$4,048,716 (144,522,000 warrants)	\$5,000,316 (211,722,000 warrants)	\$5,238,216 (228,522,000 warrants)
Contributed Surplus	-	\$13,068,904	\$13,901,571	\$13,901,571	\$13,901,571

### Notes:

- (1) Does not include Common Shares issuable upon exercise of outstanding options, warrants or compensation options. As of the date hereof, there were 69,181,000 Common Shares reserved for issuance upon the exercise of options, 49,000,000 Common Shares reserved for issuance upon the exercise of warrants, 50,370,000 “flow-through” Common Shares reserved for issuance upon the exercise of warrants, and 352,000 Common Shares reserved for issuance upon the exercise of compensation options.
- (2) Does not include any Common Shares issuable on the exercise of the Offered Warrants or the Agent’s Options or pursuant to the Koper Lake Option Agreement. See “*General Development of the Business*” and “*Description of Business*” in the AIF for more information.
- (3) Includes 128,410 Common Shares issued by the Corporation to AGORACOM on July 21, 2014.
- (4) Dollar values were calculated based on an allocation of the Unit Offering Price between Offered Common Shares and Offered Warrants using a Black-Scholes valuation method less the Agent’s Commission and the value of the Agent’s Options which was also calculated using a Black-Scholes valuation method. \$0.04167 was allocated per Offered Common Share, \$0.0125 per Offered Warrant and the value of the Agent’s Options was calculated to be \$0.028 per Agent’s Option.

## PRICE RANGE AND TRADING VOLUME OF THE COMMON SHARES

The outstanding Common Shares are traded on the TSXV and the CSE under the trading symbol “KWG” and on the FSE under the trading symbol “KW6”. The following table sets forth the high and low trading prices and aggregate trading volume of the Common Shares as reported by the TSXV during the 12 calendar months preceding the date of this short form prospectus and the period from November 1 to 12, 2014.

### Monthly Price Range

	High (\$)	Low (\$)	Volume
November 1 to 12	0.05	0.035	6,116,512
October	0.06	0.04	7,860,475
September 2014	0.065	0.04	17,005,160
August 2014	0.06	0.045	8,469,487
July 2014	0.065	0.05	11,242,468
June 2014	0.07	0.055	18,545,273
May 2014	0.075	0.065	21,541,159



	High (\$)	Low (\$)	Volume
April 2014	0.09	0.065	53,962,490
March 2014	0.055	0.045	5,840,858
February 2014	0.05	0.04	8,886,981
January 2014	0.05	0.04	5,078,245
December 2013	0.05	0.04	5,766,304
November 2013	0.055	0.04	18,618,179

On November 12, 2014, the last complete trading day prior to the date hereof, the closing price of the Common Shares on the TSXV, on the CSE and on the FSE was \$0.035, \$0.035 and €0.020 per Common Share, respectively.

### USE OF PROCEEDS

The estimated net proceeds of the Minimum Offering and the Maximum Offering (if achieved) to be received by KWG, after payment of the Agent's Commission and estimated offering expenses payable by the Corporation, will be approximately \$3,270,000 and \$8,910,000, respectively. If the Over-Allotment Option is exercised in full, the net proceeds of the Offering, after payment of the Agent's Commission and estimated offering expenses payable by the Corporation, will be approximately \$10,620,000. The Corporation had approximately \$1,800,000 in available funds on hand as at October 31, 2014.

KWG intends to allocate the net proceeds of the Offering as well as its available funds as follows, depending on whether the Minimum Offering or the Maximum Offering is achieved (assuming the Over-Allotment Option is not exercised):

	Use of Minimum Offering Proceeds and available funds (\$ millions)	Use of Maximum Offering Proceeds and available funds (\$ millions)
Exploration activities at the Fishtap Lake Project	0.5	0.5
Development of the New Production Methods (as defined below)	0.5	0.5
Exploration activities at the Koper Lake Project	0.5	2.0
Administrative and general expenses and working capital of the Corporation	3.57	7.7
<b>Total</b>	<u>5.07</u>	<u>10.70</u>

Any net proceeds from the issuance of Additional Units pursuant to the exercise of the Over-Allotment Option will be used for administrative and general expenses and working capital of the Corporation.

Any gross proceeds from the issuance of Additional Flow-Through Shares pursuant to the exercise of the Over-Allotment Option will be used for exploration activities at the Koper Lake Project.

The Corporation will ensure that an amount equal to the gross aggregate subscription price for the Flow-Through Shares will be spent to incur (or be deemed to incur) CEE on or before December 31, 2015. The Corporation will renounce such CEE with an effective date of no later than December 31, 2014. See "*Certain Canadian Federal Income Tax Considerations*" for more information.

The principal business objectives that the Corporation expects to accomplish using the net proceeds from the Offering are: (1) conduct a drilling program at the Fishtrap Lake Project; (2) continue 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 (collectively, the “**New Production Methods**”), which are the subject of the Chromium IP (see “*Developing the New Production Methods*” for more information); and (3) commence its drilling program at the Koper Lake Project.

The Corporation believes that its intended use of the net proceeds of this Offering is consistent with the Corporation’s business objectives and strategic goals of participating in the discovery, delineation and development of chromite deposits in the James Bay Lowlands of Northern Ontario.

### **Exploration activities at the Fishtrap Lake Project**

The Corporation intends to conduct a core drilling campaign at the Fishtrap Lake Project, scheduled for completion before December 31, 2015. KWG is proposing to drill six holes at depth of 125 metres each, for a total of 750 metres. KWG considers the budgeted unit cost to be consistent with the current market for helicopter supported core drilling in remote areas. The all-inclusive cost per metre for helicopter supported core drilling in remote areas such as the Ring of Fire ranges from \$600 to \$2,000 per metre. By comparison, non-helicopter supported core drilling program in inhabited areas have all inclusive cost of \$100 to \$120 per metre.

The Fishtrap Lake Project is located 50 kilometres from the base camp. Helicopters provide the only mode of transportation to the drill-site, at a cost of approximately \$2,000 per hour. The initial mobilization and demobilization for the proposed drill campaign will require approximately 27 hours of helicopter time each. As noted above, KWG is proposing to drill six holes at a depth of 125 metre each. Once drilling at a hole is complete, an additional 6 to 8 hours of helicopter time is needed to move to the next hole. The Corporation anticipates that on a daily basis the helicopter will be making three trips at a minimum of one hour each for 12 days. The total helicopter costs alone are approximately \$260,000. Based on these projected costs, the Corporation budgeted \$400,000, plus a 25% contingency, for the drill campaign proposed at the Fishtrap Lake Project.

### **Developing the New Production Methods**

KWG intends to allocate approximately \$500,000 of the net proceeds from the Offering to advance the development and commercialization of the New Production Methods. KWG intends to use the net proceeds to test, develop and complete a pilot project of the New Production Methods (the “**Testing and Piloting Program**”). The Testing and Piloting Program will be conducted by XPS Consulting & Testwork Services and is intended to include the following components:

<b>Components</b>	<b>Estimated Cost</b>
Upgradability tests	\$50,000
Fluid bed viability tests	\$30,000
Tests of chromites from other sources	\$6,000
Melt tests	\$8,000
Detailed process modelling	\$37,000
Variability tests for caustic addition	\$30,000
Binder evaluation – Pellets	\$40,000
Catalyst evaluation	\$40,000
Reducibility factors - size	\$40,000
Reducibility factors - reductant	\$40,000
Project management & administration	\$48,000
<b>Total Testing Costs</b>	<b>\$369,000</b>
Initial Piloting and Contingency	\$131,000
<b>Total Costs</b>	<b>\$500,000</b>

KWG anticipates the Testing and Piloting Program can be completed approximately four months from commencement. Commercialization of the New Production Methods can only be achieved once the Testing and Piloting Program is complete and the New Production Methods have proven to be viable. Given the uncertainty

around the results of the Testing and Piloting Program, an estimate of the costs and timing of the additional steps to reach commercialization of the New Production Methods cannot be estimated at this time.

### Exploration of the Koper Lake Project

KWG intends to commence the 5,500 meter exploration drilling program (the “**Drill Program**”), as described in the technical report entitled “National Instrument 43-101 Technical Report, Koper Lake Project Chromite Deposit, McFaulds Lake Area, Ontario, Canada, Porcupine Mining Division, NTS 43D16, Updated Mineral Resource Estimation Technical Report, UTM: Zone 16, 548460m E, 5842511m N, NAD 83” dated May 28, 2014 (the “**Koper Lake Technical Report**”). The Koper Lake Technical Report presents a budget of \$3,300,000 to complete the Drill Program. If the Minimum Offering is achieved, KWG anticipates using approximately \$500,000 to complete a portion of the Drill Program, scheduled for completion before March 31, 2015. If the Maximum Offering is achieved, KWG anticipates using approximately \$2,000,000 to complete a portion of the Drill Program, scheduled for completion before March 31, 2015. Management of KWG may elect to utilize a portion of proceeds allocated as working capital to complete the remainder of the Drill Program.

Although KWG intends to use the proceeds from the Offering as set out above, the actual allocation of the net proceeds may vary from that set out above, depending on future developments in KWG’s mineral projects, the progress and outcome of the Testing and Piloting Program, or unforeseen events. KWG will, however, ensure that an amount equal to the gross proceeds from the sale of the Flow-Through Shares will be spent to incur (or be deemed to incur) CEE within the time required under the Subscription Agreement.

### General and Administrative Expenses

KWG’s annual general and administrative expenses are approximately \$2,750,000 and can be broken down as follows:

Expense	Approximate Amount
Advertising & promotion	\$72,000
Consultants’ fees	\$450,000
Directors’ fees & insurance	\$175,000
Filing fees	\$48,000
Investor relations fees	\$105,000
Miscellaneous exploration expenditures	\$250,000
Professional fees	\$475,000
Office overhead	\$295,000
Salaries & benefits	\$800,000
Travel & accommodation	\$80,000
Total	\$2,750,000

Assuming completion of the Maximum Offering, KWG will have sufficient funds for general and administrative expenses for three years. As a junior exploration company, which often has difficulty raising “hard” dollars (i.e. proceeds from the sale of non flow-through shares), the Corporation considers utilizing proceeds of the

Offering to fund its general and administrative expenses to be in its best interest. Further, to the extent opportunities arise to acquire properties, the proceeds of the Offering may be used to finance such acquisitions

### **Negative Cash Flow**

KWG has no history of revenues from its operating activities. During the fiscal year ended December 31, 2013 and the period ended June 30, 2014, the Corporation had negative cash flow from operating activities. The Corporation's cash and cash equivalents as at December 31, 2013 were approximately \$6,172,478 and as at June 30, 2014 were approximately \$2,529,565. From December 31, 2013 to June 30, 2014 the Corporation had an average monthly cash expenditure rate of approximately \$322,000, excluding exploration expenditures, and expects such rate to remain the same in the immediate future. KWG anticipates it will continue to have negative cash flow from operating activities in future periods until commercial production is achieved (if at all) at its resource properties. The proceeds from the Offering will be used to fund such negative cash flow. See "*Risk Factors – Negative Operating Cash Flow*" and "*Risk Factors – Risks Related to the Corporation's Business – Additional Funding Requirements and Potential Dilution*" and "*Risk Factors – Risks Related to the Corporation's Business – Continuation of Operating Losses*" in the AIF for more information.

### **ELIGIBILITY FOR INVESTMENT**

In the opinion of Norton Rose Fulbright Canada LLP, counsel to the Corporation, and Lavery, de Billy L.L.P., counsel to the Agent, based on the current provisions of the Tax Act, the Regulations and all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**"), provided the Common Shares are listed on a "designated stock exchange" for purposes of the Tax Act (which currently includes the TSXV and the CSE), the Offered Common Shares, Offered Warrants, Warrant Shares and Flow-Through Shares will be "qualified investments" under the Tax Act for trusts governed by a registered retirement savings plan ("**RRSP**"), a registered retirement income fund ("**RRIF**"), a registered education savings plan, a deferred profit sharing plan, a registered disability savings plan and a tax-free savings account ("**TFSA**") (each, an "**Exempt Plan**") provided, in the case of the Offered Warrants, the Corporation is not a "connected person" under the Exempt Plan. For this purpose, a "connected person" under an Exempt Plan is defined as a person who is an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the Exempt Plan and any person who does not deal at "arm's length" with that person for the purposes of the Tax Act.

Notwithstanding that the Offered Common Shares, Offered Warrants, Warrant Shares and Flow-Through Shares may be "qualified investments" as described above, the holder of a TFSA or the annuitant of a RRSP or RRIF that holds Offered Common Shares, Offered Warrants, Warrant Shares or Flow-Through Shares will be subject to a penalty tax if such Offered Common Shares, Offered Warrants, Warrant Shares or Flow-Through Shares are a "prohibited investment" for such TFSA, RRSP or RRIF, as the case may be, for the purposes of the prohibited investment rules in the Tax Act. The Offered Common Shares, Offered Warrants, Warrant Shares and Flow-Through Shares will generally be a "prohibited investment" for a TFSA, RRSP or RRIF, as the case may be, if the holder or the annuitant, as the case may be, does not deal at "arm's length" with the Corporation for the purposes of the Tax Act or the holder or the annuitant, as the case may be, has a "significant interest" (within the meaning of the Tax Act) in the Corporation.

**IT WOULD BE HIGHLY UNUSUAL FOR AN EXEMPT PLAN TO SUBSCRIBE FOR THE FLOW-THROUGH SHARES DIRECTLY, AS SUCH EXEMPT PLAN WOULD NOT BE ABLE TO USE THE TAX DEDUCTIONS DESCRIBED BELOW UNDER THE HEADING "CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS".**

**Any subscriber who intends to cause an Exempt Plan to acquire Offered Common Shares, Offered Warrants, Warrant Shares or Flow-Through Shares, or any person who wishes to contribute Offered Common Shares, Offered Warrants, Warrant Shares or Flow-Through Shares to an Exempt Plan should consult their own tax advisor.**

## RISK FACTORS

**An investment in the Units and/or Flow-Through Shares is subject to certain risks and should be considered speculative due to various factors, including the nature of the Corporation's involvement in the exploration for minerals, including chromite, and the acquisition and development of mineral properties. Investors should carefully consider the risks described under the heading "Risk Factors" in the AIF and the Interim MD&A incorporated by reference in this short form prospectus as well as the risk factors set forth below and elsewhere in this short form prospectus prior to making an investment in the Units and/or Flow-Through Shares.**

### **Use of proceeds**

KWG currently intends to allocate the net proceeds received from the Offering as described under "Use of Proceeds" in this short form prospectus. However, the Board and management of KWG will have discretion in the actual application of the net proceeds, and may elect to allocate proceeds differently from that described in "Use of Proceeds" if it is believed it would be in the best interests of KWG to do so as circumstances change. The failure by the Board or management of KWG to apply these funds effectively could have a material adverse effect on KWG.

### **Volatility of market price of Common Shares**

The market price of the Common Shares may be volatile. The volatility may affect the ability of holders to sell the Common Shares at an advantageous price. Market price fluctuations in the Common Shares may be due to KWG's operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by KWG or its competitors, along with a variety of additional factors, including, without limitation, those set forth under "Forward-Looking Information" in this short form prospectus. In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies, has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that such fluctuations will not affect the price of the Corporation's securities.

### **The Offered Warrants will not be listed for trading**

Since the Corporation does not intend to apply for listing of the Offered Warrants on any securities exchange, there is no public market for the Offered Warrants. There can be no assurance that a secondary market for the Offered Warrants will develop or be sustained after the closing of the Offering. Even if a market develops for the Offered Warrants, there can be no assurance that it will be liquid and that the price of the Offered Warrants will be the same as the price allocated for the Offered Warrants comprising the Units.

### **Dilution to Common Shares**

As of the date hereof, the Corporation had 777,842,468 Common Shares issued and outstanding. Following the completion of the Minimum Offering, there will be an additional 80,000,000 Common Shares issued and outstanding and following completion of the Maximum Offering, there will be an additional 200,000,000 Common Shares issued and outstanding (and assuming the exercise of the Over-Allotment Option, a further 230,000,000 Common Shares issued and outstanding). See "Description of Securities Being Distributed" for more information. The increase in the number of Common Shares issued and outstanding, and the sales of such shares, may have a depressive effect on the price of the Common Shares. In addition, as a result of such additional common shares, the voting power of the Corporation's existing shareholders will be diluted.

### **Negative Operating Cash Flow**

The Corporation currently has a negative operating cash flow and may continue to have a negative operating cash flow for the foreseeable future. The Corporation's failure to achieve profitability and generate positive operating cash flows could have a material adverse effect on the Corporation's business, financial condition and operating results.

**The Corporation has no dividend payment policy and does not intend to pay any cash dividends in the foreseeable future.**

The Corporation has not declared or paid any dividends on the Common Shares and does not currently have a policy on the payment of dividends. For the foreseeable future, the Corporation anticipates that it will retain earnings and other cash resources for the operation and development of its business. The payment of any future dividends will depend upon earnings and the Corporation's financial condition, current and anticipated cash needs and such other factors as the directors of KWG consider appropriate.

#### **Forward-Looking Statements may prove inaccurate**

Investors are cautioned not to place undue reliance on forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties are found in this short form prospectus under the heading "*Forward-Looking Information*".

#### **Write-downs of carrying amounts of the Corporation's exploration and evaluation projects**

Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Corporation's exploration and evaluation projects.

#### **Canadian tax treatment of Flow-Through Shares**

The tax treatment applicable to mining activities and flow-through shares constitutes a major factor when considering an investment in the Flow-Through Shares. Investors are cautioned that the taxation laws and the current administrative practices of both the federal and provincial tax authorities may be amended or construed in such a way that the tax considerations for a subscriber holding Flow-Through Shares will be altered in a materially unfavorable way and, moreover, there may be material differences of opinion with the federal and provincial tax authorities with respect to the tax treatment of the Flow-Through Shares, the status of such Flow-Through Shares and the activities contemplated by the Corporation's exploration programs. Consequently, the tax considerations for subscribers holding or selling Flow-Through Shares may be fundamentally altered. See "*Certain Canadian Federal Income Tax Considerations*" for more information.

The Flow-Through Shares are designed for investors whose income is subject to high marginal tax rates. The right to deduct qualifying expenditures accrues to the initial purchaser of the Flow-Through Shares and is not transferable. See "*Certain Canadian Federal Income Tax Considerations*" for more information.

Notwithstanding its agreement to do so, there is no guarantee that the Corporation will incur (or be deemed to incur) on or prior to December 31, 2015 qualifying CEE in an amount equal to the total proceeds of the sale of the Flow-Through Shares resulting in the deductions described under "*Certain Canadian Federal Income Tax Considerations*". **If the Corporation does not expend an amount equal to the gross proceeds from the sale of the Flow-Through Shares so as to incur (or be deemed to incur) sufficient CEE prior to December 31, 2015, the Corporation will be required to reduce the amount of CEE that it has renounced in favour of the subscribers of Flow-Through Shares and such subscribers will be reassessed accordingly and will be required to remit tax if the reduction in the renounced CEE increases their tax liability.** Subscribers will generally not be subject to penalties for any such reassessment and no interest will generally be payable on such additional tax if such tax is paid by April 30, 2016. The Corporation will agree to indemnify the subscriber as to, and forthwith pay in settlement thereof to such subscriber, an amount equal to the amount of any tax payable under the Tax Act (and under any corresponding provincial legislation) by the subscriber (or if the subscriber is a partnership, the partners thereof) as a result of any such reduction; however, there is no guarantee that the Corporation will have the financial resources required to satisfy such indemnity.

## **Proposed railway extension**

The proposed railway leading in and out of the Koper Lake Project and the Big Daddy Project is currently in the planning stage and accordingly remains very preliminary in nature. In July, 2014, the Divisional Court released a decision allowing Cliffs' appeal of an MLC decision and granting Cliffs' application to dispense with the requirement for CCC to consent to the grant of an easement to Cliffs over the corridor of mining claims staked by CCC for the proposed railway. If Cliffs obtains the easement, the railway corridor may be prevented from being constructed and/or the costs of constructing the railway corridor may increase. If Cliffs is not successful in obtaining the easement, there is no guarantee that any or all of the required permits for the construction of the proposed railway will be granted and even if such permits are granted, there is no guarantee that financing will be available in the future to construct the proposed railway. See "*Risk Factors*" in the AIF and "*Recent Developments*" for more information.

## **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Norton Rose Fulbright Canada LLP, counsel to the Corporation, and Lavery, de Billy L.L.P., counsel to the Agent, the following is a fair and adequate summary of the principal Canadian federal income tax considerations generally applicable to a subscriber who acquires Offered Common Shares, Offered Warrants or Flow-Through Shares pursuant to the Offering, or Warrant Shares upon exercise of the Offered Warrants, and who, for purposes of the Tax Act and at all relevant times, is or is deemed to be resident in Canada, deals at "arm's length" and is not "affiliated" with the Corporation or the Agent and beneficially owns such securities as capital property. The Offered Common Shares, Offered Warrants, Warrant Shares and Flow-Through Shares will generally constitute capital property to a subscriber unless the subscriber holds such securities in the course of carrying on a business or as part of an adventure or concern in the nature of trade. Certain subscribers who might not otherwise be considered to hold their Offered Common Shares or Warrant Shares as capital property may, in certain circumstances, be entitled to make an irrevocable election permitted by subsection 39(4) of the Tax Act to have the Offered Common Shares, Warrant Shares and every other "Canadian security" (as defined in the Tax Act), owned by such subscriber in the taxation year of the election and in all subsequent taxation years deemed to be capital property. This election is not available in respect of the Flow-Through Shares or Offered Warrants. Subscribers that are considering making such an election should consult with their own tax advisors.

This summary is based on the current provisions of the Tax Act and the Regulations, all Proposed Amendments and counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency ("CRA"). Except for the Proposed Amendments, this summary does not take into account or anticipate any changes in law or administrative practice, nor does it take into account provincial or territorial tax laws of Canada (except for the Ontario focused flow-through share tax credit discussed below) or the tax laws of any foreign jurisdiction. No assurance can be given that the Proposed Amendments will be enacted as proposed (or at all) or that legislative, judicial or administrative changes will not alter the statements made herein.

This summary does not apply to a subscriber (i) that is a "principal-business corporation" within the meaning of the Tax Act; (ii) whose business includes trading or dealing in rights, licenses or privileges to explore for, drill for or take minerals, petroleum, natural gas or other related hydrocarbons; (iii) that is a "financial institution", "specified financial institution" or an interest in which constitutes a "tax shelter investment", all within the meaning of the Tax Act; (iv) that has made a "functional currency" election under the Tax Act to determine its Canadian tax results in a currency other than Canadian currency; (v) that is a partnership or trust; or (vi) that has entered or will enter into a "derivative forward agreement" within the meaning of the Tax Act, with respect to the Offered Common Shares, Offered Warrants or Flow-Through Shares acquired pursuant to the Offering, or Warrant Shares acquired upon exercise of the Offered Warrants.

This summary assumes that the Corporation will make all necessary tax filings in respect of the issuance of the Flow-Through Shares and the renunciation of CEE in the manner and within the time required by the Tax Act and the Regulations, that the Corporation will incur, or will be deemed to incur sufficient CEE to enable it to renounce to subscribers of Flow-Through Shares all of the CEE covenanted to be renounced by the Corporation pursuant to the Subscription Agreement effective on or before December 31, 2014 and that all expenses discussed herein will be reasonable in amount. This summary assumes that the Corporation will be a "principal-business corporation" at all material times and that the Flow-Through Shares, when issued, will be "flow-through shares" and will not be "prescribed shares", all within the meaning of the Tax Act.

The income tax consequences to a particular subscriber of an investment in Flow-Through Shares will vary according to a number of factors including the legal status of the subscriber as an individual or a corporation or other legal entity or relationship, the province or provinces in which the subscriber resides, carries on business or has a permanent establishment and the amount that would be the subscriber's taxable income but for the investment in the Flow-Through Shares.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular subscriber. Accordingly, each potential subscriber should obtain independent advice having regard to their particular circumstances.**

### **Allocation of Subscription Price of Units**

Subscribers for Units will be required to allocate the subscription price of a Unit between the Offered Common Shares and the Offered Warrants on a reasonable basis in order to determine their respective costs for purposes of the Tax Act. The Corporation intends to allocate as consideration for their issue \$0.0549 to each Offered Common Share and \$0.00015 to each Offered Warrant. The Corporation believes that such allocation is reasonable but such allocation will not be binding on the CRA or a subscriber. Counsel expresses no opinion with respect to such allocation. The cost to a subscriber of an Offered Common Share must be averaged with the adjusted cost base to the subscriber of all Common Shares (including Flow-Through Shares), if any, held by the subscriber as capital property immediately prior to the acquisition of such Offered Common Share.

### **Exercise of Offered Warrants**

No gain or loss will be realized by a subscriber upon the exercise of an Offered Warrant to acquire a Warrant Share. When an Offered Warrant is exercised, the subscriber's cost of the Warrant Share acquired thereby will be equal to the aggregate of the subscriber's adjusted cost base of such Offered Warrant and the exercise price paid for the Warrant Share. The subscriber's adjusted cost base of the Warrant Share so acquired will be determined by averaging the cost of the Warrant Share with the adjusted cost base to the subscriber of all Common Shares (including Flow-Through Shares), if any, held by the subscriber as capital property immediately prior to the acquisition of the Warrant Share.

### **Expiry of Offered Warrants**

The expiry of an unexercised Offered Warrant will generally result in a capital loss to the subscriber equal to the adjusted cost base of the Offered Warrant to the subscriber immediately before its expiry. The taxation of capital gains and capital losses is described below under the subheading "Taxation of Capital Gains and Losses".

### **Canadian Exploration Expense**

Subject to certain limitations and restrictions, the Corporation will be entitled to renounce CEE incurred (or deemed to be incurred) by it to subscribers for Flow-Through Shares in an amount equal to the subscription price for the Flow-Through Shares as permitted by and in accordance with the Tax Act. Such CEE that is properly renounced to a subscriber will be deemed to be CEE incurred by the subscriber on the effective date of the renunciation.

The Corporation generally will be entitled to renounce CEE incurred, or deemed to be incurred, by it in a period that begins on the date that subscriptions for the Flow-Through Shares are accepted by the Corporation and ends 24 months after the end of the month in which such subscriptions are accepted, less (i) any previous renunciations with respect to such expenses, (ii) any portion of those expenses which are prescribed under the Regulations as being "Canadian exploration and development overhead expenses", (iii) certain expenses in respect of seismic data, (iv) any assistance that the Corporation has received, is entitled to receive, or may reasonably be expected to receive at any time which is reasonably related to those expenses, and (v) any expenses for prepaid services or rent that do not qualify as outlays and expenses for the period as described in the definition of the term "expense" in paragraph 66(15) of the Tax Act. The Corporation may not renounce to subscribers an amount in excess of the amount paid by the subscribers for the Flow-Through Shares. The Corporation will not be entitled to renounce CEE to the extent that such renunciation, if effective, would cause the Corporation's own cumulative CEE ("CCEE") to be a negative amount.



Certain CEE incurred (or deemed to be incurred) pursuant to an agreement to issue “flow-through shares” for the purposes of the Tax Act and within 12 months after the end of the calendar year in which such agreement was made (the “**Preceding Calendar Year**”) can be treated as if incurred on December 31 of the Preceding Calendar Year, provided that the subscription price for the relevant flow-through shares has been paid for in money during the Preceding Calendar Year, the subscriber deals at “arm’s length” with the Corporation for the purposes of the Tax Act throughout that 12 month period and the renunciation has been duly made by the end of March of the year following the Preceding Calendar Year. In the event the Corporation does not incur, or is not deemed to incur, the full amounts renounced by the end of that 12 month period, the Corporation will be required to reduce the amount previously renounced and the subscribers’ income tax returns for the years in which the expenditures were claimed will be reassessed accordingly. However, subscribers will generally not be subject to penalties for any such reassessment and no interest will generally be payable on such additional tax if such tax is paid by April 30, 2016.

A subscriber for Flow-Through Shares to whom the Corporation renounces CEE will have such CEE added to the subscriber’s CCEE. A subscriber may deduct in computing the subscriber’s income from all sources for a taxation year an amount not exceeding 100% of the balance of the subscriber’s CCEE at the end of that taxation year. A subscriber’s CCEE is reduced by the deductions claimed by the subscriber in prior years and by the amount of any assistance that the subscriber receives or is entitled to receive in respect of CEE added to the subscriber’s CCEE. To the extent that a subscriber does not deduct the full CCEE balance at the end of the taxation year, the unclaimed balance will be carried forward and the subscriber will be entitled to claim deductions in respect thereof in subsequent taxation years in accordance with, and subject to the restrictions under, the provisions of the Tax Act. If at the end of a taxation year the reductions in calculating a subscriber’s CCEE exceed the additions thereto, the excess must be included in computing the subscriber’s income for that year and the subscriber’s CCEE will thereupon have a nil balance. The disposition of Flow-Through Shares will not reduce a subscriber’s CCEE. Certain restrictions apply in respect of the deduction of CCEE following an acquisition of control and certain reorganizations of a corporate subscriber. Corporate subscribers should consult their own tax advisors with respect to the application of these rules.

## **Tax Credits**

In addition, a subscriber for Flow-Through Shares that is an individual (other than a trust) may be entitled to claim a federal non-refundable investment tax credit in computing their tax payable for a taxation year, equal to 15% (the “**Federal Credit**”) of the CEE renounced to the individual which qualify as “flow-through mining expenditures” of such individual for the purposes of the Tax Act. Generally, the types of CEE which would give rise to the Federal Credit would be certain mining exploration expenses incurred, or deemed to be incurred, in Canada by a “principal-business corporation” (as such term is defined in the Tax Act) in conducting mining exploration activity from or above the surface of the earth before 2016 under an agreement for the issuance of a “flow-through share” (as such term is defined in the Tax Act) made on or before March 31, 2015.

A Federal Credit can be used by an individual to reduce the federal tax otherwise payable in the individual’s taxation year in which the individual becomes entitled to the Federal Credit to the extent it exceeds such individual’s minimum tax for that taxation year. The computation of such minimum tax is described below under the subheading “*Minimum Tax*”.

An individual who is entitled to a Federal Credit may carry forward and deduct any unused portion of such Federal Credit for a period of 20 taxation years or carry back and deduct such unused portion in any of the three preceding taxation years. To the extent the Federal Credit is applied in a taxation year, it is deducted from the individual’s CCEE for the following taxation year, which may result in an income inclusion in that year for federal income tax purposes.

Ontario legislation provides for a similar refundable 5% tax credit for certain individuals resident in Ontario on the last day of a particular taxation year for eligible Ontario exploration expenditures in respect of “Ontario focused flow-through shares”. The Federal Credit will be reduced by the amount of the Ontario tax credit claimed.

Subscribers for Flow-Through Shares should consult their own tax advisors regarding these credits.

## **Paid-Up Capital**

The Corporation will be required under the Tax Act to reduce the “paid-up capital” (as such term is defined in the Tax Act) of its class of Common Shares by an amount equal to 50% of the CEE renounced in respect of the Flow-Through Shares. The reduction may impact on the income tax treatment of subsequent dealings with the Common Shares (including Offered Common Shares, Flow-Through Shares and Warrant Shares).

## **Disposition of Flow-Through Shares**

A subscriber who disposes, or is deemed to dispose, of a Flow-Through Share (other than to the Corporation) will generally realize a capital gain (or capital loss) in the taxation year of disposition equal to the amount, if any, by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or are less) than the adjusted cost base to the subscriber of such Flow-Through Share immediately before the disposition or deemed disposition. **For tax purposes, the initial cost to a subscriber of the Flow-Through Shares is deemed to be nil.** The adjusted cost base to the subscriber of any Flow-Through Shares acquired pursuant to the Offering will generally be the average of the cost to the subscriber of all other Common Shares held by the subscriber as capital property at that time, including all other Offered Common Shares, Warrant Shares and Flow-Through Shares. The taxation of capital gains and capital losses is described below under the subheading “*Taxation of Capital Gains and Losses*”.

A subscriber who disposes of Flow-Through Shares will retain the entitlement to receive renunciations of CEE from the Corporation as described above, as well as the ability to deduct any CEE previously deemed to have been incurred by the subscriber, and a subsequent purchaser of such Flow-Through Shares will not be entitled to any renunciation of any CEE in respect thereof.

## **Cumulative Net Investment Loss**

One half of the amount of CEE that is renounced to and deducted by a subscriber of Flow-Through Shares may increase the subscriber’s “cumulative net investment loss” (“**CNIL**”) within the meaning of the Tax Act. A subscriber’s CNIL may impact a subscriber’s ability to claim the capital gains deduction available on the disposition of certain qualifying small business corporation shares, fishing property and farm property.

## **Minimum Tax**

Pursuant to the alternative minimum tax rules in the Tax Act, the tax otherwise payable under Part I of the Tax Act by an individual for a taxation year will not be less than the minimum amount computed by reference to the individual’s “adjusted taxable income” for that year. For these purposes, the minimum amount generally means the “appropriate percentage” (currently 15%) of adjusted taxable income in excess of \$40,000. In calculating adjusted taxable income for this purpose, certain deductions and credits otherwise available are disallowed and certain amounts otherwise not taxable are included in income. These disallowed items include deductions for CEE to the extent the deductions exceed the individual’s resource income for that year before deduction of those amounts, and deductions for carrying charges which relate to an investment in “flow-through shares” to the extent that such deductions exceed the individual’s resource income for that year after deductions for resource expenses, including CEE. Also included in adjusted taxable income are 80% of capital gains (net of capital losses). Whether and to what extent a particular individual will be subject to minimum tax will depend upon the amount of the individual’s income, the sources from which it is derived and the nature and amount of any deductions that are claimed. Any additional tax payable for a year resulting from the application of the minimum tax provisions is recoverable to the extent the tax otherwise determined exceeds the minimum amount for any of the following seven taxation years.

## **Disposition of Offered Common Shares, Offered Warrants and Warrant Shares**

A subscriber who disposes, or is deemed to dispose, of an Offered Common Share or Warrant Share (other than to the Corporation), or an Offered Warrant (other than on the exercise thereof), will generally realize a capital gain (or capital loss) in the taxation year of disposition equal to the amount, if any, by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or are less) than the adjusted cost base to the subscriber of such securities immediately before the disposition or deemed disposition. The taxation of capital gains and capital losses is described below under the subheading “*Taxation of Capital Gains and Losses*”.

## **Taxation of Capital Gains and Losses**

Generally, one-half of any capital gain (a taxable capital gain) must be included in computing the income of the subscriber in the year of disposition, and one-half of any capital loss (an allowable capital loss) generally must be deducted against taxable capital gains realized by the subscriber in the year of disposition. Allowable capital losses in excess of taxable capital gains for the year of disposition generally may be deducted by the subscriber against net taxable capital gains realized in any of the three preceding years or in any subsequent year, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a subscriber that is a corporation on the disposition of an Offered Common Share, Warrant Share or Flow-Through Share may be reduced by the amount of dividends received or deemed to be received by it on such Offered Common Share, Warrant Share or Flow-Through Share (or on a share for which the Offered Common Share, Warrant Share or Flow-Through Share has been substituted) to the extent and under the circumstances described by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Offered Common Shares, Warrant Shares or Flow-Through Shares, directly or indirectly, through a partnership or a trust.

A subscriber that is, throughout the relevant taxation year, a “Canadian controlled private corporation” (as defined in the Tax Act) may be liable for a refundable tax of 6½% on its “aggregate investment income” (as defined in the Tax Act), including taxable capital gains. This tax is generally refunded to such subscriber at the rate of \$1 for every \$3 of taxable dividends paid to its shareholders while it is a “private corporation” (as defined in the Tax Act).

## **INTERESTS OF EXPERTS**

Certain legal matters relating to the Offering will be passed upon by Norton Rose Fulbright Canada LLP, on behalf of the Corporation, and by Lavery, de Billy L.L.P., on behalf of the Agent. The partners and associates of Norton Rose Fulbright Canada LLP, as a group, and the partners and associates of Lavery, de Billy L.L.P., as a group, own, directly or indirectly, less than 1% of the Corporation’s outstanding Common Shares.

Technical information contained in this prospectus regarding the Fishtrap Project was approved by Maurice Lavigne, P. Geo, Vice President, Exploration and Development of KWG, a “qualified person” within the meaning of National Instrument 43-101 – Standards of Disclosure for Mineral Projects. To the best of the Corporation’s knowledge, Mr. Lavigne does not beneficially own, directly or indirectly, or exercise control or direction over more than 1% of the Corporation’s issued and outstanding Common Shares. Furthermore, to the best of the Corporation’s knowledge, Mr. Lavigne does not have an interest in any property of the Corporation.

## **EXEMPTIONS FROM NATIONAL INSTRUMENT 44-101**

The Corporation has obtained a decision document, dated August 14, 2014, from l’Autorité des marchés financiers (Québec) granting relief from the requirement to translate into French the preliminary short form prospectus, the amended and restated preliminary short form prospectus, the final prospectus and the documents incorporated by reference therein based on a number of factors, including: (i) the size of the Offering; (ii) that Units may be offered to investors in the United Kingdom, Germany and/or the Netherlands as noted in the Plan of Distribution; and (iii) that no Offered Securities are being offered in Québec.

## **PURCHASERS' STATUTORY RIGHTS**

Securities legislation in each of Ontario and British Columbia provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In each of Ontario and British Columbia, the securities legislation further provides a purchaser with remedies for rescission or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

In an offering of warrants, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the prospectus is limited, in certain provincial securities legislation, to the price at which the warrants were offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon the exercise of the Offered Warrants those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages or consult with a legal adviser.

## SCHEDULE "A"

### FORM OF SUBSCRIPTION AGREEMENT

#### SUBSCRIPTION AND RENUNCIATION AGREEMENT

TO: KWG RESOURCES INC. (the "**Corporation**")  
600 de Maisonneuve Boulevard West  
Suite 2750  
Montréal, Québec H3A 3J2

1. \_\_\_\_\_, as the duly authorized agent (the "**Agent**") for those persons listed on Schedule "1" attached hereto (the "**Subscribers**") and in the respective numbers set out therein, hereby irrevocably subscribes for \_\_\_\_\_ common shares of the Corporation each of which is to be issued by the Corporation as a "flow-through share" within the meaning of the Tax Act (as hereinafter defined) (the "**Flow-Through Shares**") at a price of \$0.05 per Flow-Through Share for an aggregate subscription price of \$\_\_\_\_\_, upon the terms and conditions set forth in this agreement (the "**Subscription Agreement**") constituted by the acceptance hereof and as described in the final short-form prospectus (the "**Prospectus**") of the Corporation dated \_\_\_\_\_, 2014.

The Agent represents and warrants to the Corporation that it has the full corporate right, power and authority to enter into this Subscription Agreement, and has been authorized by the Subscribers to enter into this Subscription Agreement on behalf of the Subscribers and to make the representations, warranties and statements contained herein on their behalf. The Subscribers have received a copy of the Prospectus and have tendered payment of their respective subscription price to the Agent in order that it may deliver a certified cheque or bank draft payable to the Corporation in respect thereof.

2. In this Subscription Agreement:

- (a) "**Canadian Exploration Expense**" or "**CEE**" means an expense described in paragraph (f) of the definition of "Canadian exploration expense" in subsection 66.1(6) of the Tax Act or that would be described in paragraph (h) of that definition if the reference therein to "paragraphs (a) to (d) and (f) to (g.4)" were a reference to "paragraph (f)" excluding any amounts which are prescribed to constitute "Canadian exploration and development overhead expense" for the purposes of paragraph 66(12.6)(b) of the Tax Act, the amount of any assistance described in paragraph 66(12.6)(a) of the Tax Act, any expenditure described in paragraph 66(12.6)(b.1) of the Tax Act, and any expenses for prepaid services or rent that do not qualify as outlays and expenses for the period as described in the definition of the term "expense" in subsection 66(15) of the Tax Act;
- (b) "**Commitment Amount**" in respect of each Subscriber means an amount equal to \$0.05 multiplied by the number of Flow-Through Shares subscribed for hereunder by such Subscriber;
- (c) "**Expenditure Period**" means the period commencing on the date of acceptance by the Corporation of this Subscription Agreement and ending on the earlier of:
- (i) the date on which the Commitment Amount has been fully expended in accordance with the terms hereof; and
  - (ii) December 31, 2015;
- (d) "**Principal Business Corporation**" means a "principal-business corporation" as defined in subsection 66(15) of the Tax Act;
- (e) "**Qualifying Expenditures**" means expenses which are CEE on the date they are incurred (or deemed to be incurred), which qualify as "flow-through mining expenditures" as defined in

subsection 127(9) of the Tax Act, which are incurred (or deemed to be incurred) by the Corporation during the Expenditure Period, which may be renounced by the Corporation to the Subscribers with an effective date no later than December 31, 2014, pursuant to subsection 66(12.6) of the Tax Act and in conjunction with subsection 66(12.66) of the Tax Act for the expenses incurred (or deemed to be incurred) by the Corporation in calendar year 2015, and in respect of which, but for the renunciation, the Corporation would be entitled to a deduction from income for income tax purposes; and

- (f) “**Tax Act**” means the *Income Tax Act* (Canada), together with any and all regulations promulgated thereunder, as amended from time to time.
3. All capitalized terms used herein and not otherwise defined herein shall have the same meanings herein as are ascribed thereto in the Prospectus.
4. Each Subscriber represents, warrants, covenants, certifies, acknowledges and declares to the Corporation and the Agent (and acknowledges that the Corporation and the Agent are relying thereon) that:
- (a) the Subscriber has received and reviewed a copy of the Prospectus;
  - (b) the Subscriber, if an individual, is of the full age of majority and is otherwise legally competent to enter into this Subscription Agreement;
  - (c) other than as provided in this Subscription Agreement and in the Prospectus, the Subscriber waives any right that it may have to any potential incentive grants, credits and similar or like payments or benefits which accrue as a result of the operations relating to CEE and acknowledges that all such grants, credits, payments or benefits accrue to the benefit of the Corporation;
  - (d) the Subscriber, if other than an individual, has the necessary capacity and authority to enter into this Subscription Agreement and has taken all necessary action in respect thereof;
  - (e) this Subscription Agreement has been duly and validly authorized, executed and delivered by and constitutes a legal, valid, binding and enforceable obligation of the Subscriber;
  - (f) neither the Subscriber, nor any beneficial purchaser for whom it is acting, has or will enter into any arrangement that would cause the Flow-Through Shares to be “prescribed shares” for the purposes of section 6202.1 of the regulations to the Tax Act;
  - (g) the Subscriber, and any beneficial purchaser for whom it is acting deals, and until January 1, 2016 will continue to deal, at “arm’s length” with the Corporation for the purposes of the Tax Act;
  - (h) the liability of the Corporation to renounce CEE is limited to the extent specifically stated in the Prospectus and in this Subscription Agreement;
  - (i) this Subscription Agreement is subject to acceptance by the Corporation and is effective only upon such acceptance;
  - (j) neither the Subscriber nor any beneficial purchaser for whom it is acting is a non-resident of Canada, or, if a partnership, is not a “Canadian partnership”, for the purposes of the Tax Act; and
  - (k) the Subscriber, or any beneficial purchaser for whom it is acting, as the case may be, is not, and is not acting for the account or benefit of any person that is, in the United States.
5. The Corporation hereby represents and warrants to and for the benefit of the Subscribers and the Agent (and acknowledges that the Subscribers and the Agent are relying thereon) that:

- (a) the Corporation is a valid and subsisting corporation, under the laws of the Province of Quebec, and is qualified to carry on business in the Province of Quebec and in each other jurisdiction, if any, wherein the carrying out of the activities contemplated hereby makes such qualification necessary;
- (b) the Corporation has the full corporate right, power and authority to execute and deliver this Subscription Agreement, to issue the Flow-Through Shares to the Subscribers and to incur (or be deemed to incur) and renounce to each Subscriber, Qualifying Expenditures in an amount equal to the Commitment Amount of such Subscriber;
- (c) the Corporation is a Principal Business Corporation and will continue to be a Principal Business Corporation until such time as all of the Qualifying Expenditures required to be renounced under this Subscription Agreement have been incurred (or are deemed to have been incurred) and validly renounced pursuant to the Tax Act;
- (d) except as the result of an arrangement or agreement to which the Corporation is not a party and of which the Corporation has no knowledge, upon issuance each Flow-Through Share will be a “flow-through share” as defined in subsection 66(15) of the Tax Act and in particular will not constitute a “prescribed share” within the meaning of Regulation 6202.1 of the Tax Act.
- (e) this Subscription Agreement constitutes a valid and binding obligation of the Corporation enforceable against it in accordance with its terms;
- (f) the execution and delivery of, and the performance of the terms of this Subscription Agreement by the Corporation, including the issuance of the Flow-Through Shares, the incurring of Qualifying Expenditures and the renunciation of Qualifying Expenditures to the Subscribers pursuant hereto does not and will not constitute a breach of or constitute a default under the constating documents of the Corporation or any law, regulation, order or ruling applicable to the Corporation or any agreement, contract or indenture to which the Corporation is a party or by which it is bound; and
- (g) the Corporation has no reason to believe that it will be unable to incur (or be deemed to incur) during the Expenditure Period or that it will be unable to renounce to the Subscribers effective on or before December 31, 2014, Qualifying Expenditures in an amount equal to the aggregate Commitment Amount and the Corporation has no reason to expect any reduction of such amount by virtue of subsection 66(12.73) of the Tax Act (or any corresponding provincial legislation).

6. The Corporation covenants and agrees with each of the Subscribers:

- (a) to keep proper books, records and accounts of all Qualifying Expenditures and all transactions affecting the aggregate Commitment Amount and the Qualifying Expenditures, and upon reasonable notice and on a reasonable basis, to make such books, records and accounts available to an authorized representative of any Subscriber for inspection by such representative on behalf of the Subscriber at the Subscriber’s expense for the sole purpose of responding to a demand or proposal of the Canada Revenue Agency (or any corresponding provincial taxation authority);
- (b) to file with the appropriate tax authorities, the form prescribed by subsection 66(12.68) of the Tax Act together with a copy of this Subscription Agreement, the Prospectus and any “selling instrument” contemplated by such legislation within the time period prescribed by law;
- (c) to file with the appropriate tax authorities, the form prescribed by subsection 66(12.7) of the Tax Act on or before the last day of the first month following each month in which any renunciation is made pursuant to the terms of this Subscription Agreement;
- (d) to incur (or be deemed to incur), during the Expenditure Period, Qualifying Expenditures in such amount as enables the Corporation to renounce to each of the Subscribers in accordance with the

Tax Act and this Subscription Agreement, Qualifying Expenditures in an amount equal to the Commitment Amount of each such Subscriber;

- (e) to renounce to each of the Subscribers, on or before March 1, 2015, pursuant to subsection 66(12.6) of the Tax Act in conjunction with subsection 66(12.66) of the Tax Act for Qualifying Expenditures incurred (or deemed to be incurred) in calendar year 2015, with an effective date no later than December 31, 2014, Qualifying Expenditures in an amount equal to the Commitment Amount of each such Subscriber;
- (f) to deliver to each Subscriber at the Subscriber's address set forth in Schedule "1" attached hereto, by March 1, 2015, a statement (including Form T-101) setting forth the aggregate amounts of CEE renounced to such Subscriber pursuant hereto;
- (g) that, subject to the requirements of the Tax Act (or any corresponding provincial legislation), the Corporation will not reduce the amount renounced to each Subscriber pursuant to this Subscription Agreement and, in the event that the amount renounced to a Subscriber is reduced pursuant to subsection 66(12.73) of the Tax Act, the Corporation shall indemnify and hold harmless such Subscriber and each of the partners thereof if the Subscriber is a partnership or a limited partnership (for the purposes of this paragraph, each an "**Indemnified Person**") as to, and pay in settlement thereof to the Indemnified Person on or before the 45<sup>th</sup> day following the day on which such reduction occurred, an amount equal to the amount of any tax (as referenced in paragraph (c) of the definition of an "excluded obligation" in subsection 6202.1(5) of the regulations to the Tax Act) payable under the Tax Act (and under any other corresponding provincial legislation) by the Indemnified Person as a consequence of such reduction, provided that, for certainty, the foregoing indemnity shall have no force or effect and the Subscriber shall not have any recourse or rights of action to the extent that such indemnity, recourse or rights of action would otherwise cause the Flow-Through Shares to be or to become "prescribed shares" within the meaning of section 6202.1 of the regulations to the Tax Act;
- (h) that if the Corporation does not renounce to a Subscriber, effective on or before December 31, 2014, Qualifying Expenditures in an amount equal to the Commitment Amount of such Subscriber, the Corporation shall indemnify and hold harmless such Subscriber and each of the partners thereof if the Subscriber is a partnership or a limited partnership (for the purposes of this paragraph, each an "**Indemnified Person**") as to, and pay in settlement thereof to the Indemnified Person on or before the 45<sup>th</sup> day following the day on which the amount is determined, an amount equal to the amount of any tax (as referenced in paragraph (c) of the definition of an "excluded obligation" in subsection 6202.1(5) of the regulations to the Tax Act) payable under the Tax Act (and under any other corresponding provincial legislation) by the Indemnified Person as a consequence of such failure, provided that, for certainty, the foregoing indemnity shall have no force or effect and the Subscriber shall not have any recourse or rights of action to the extent that such indemnity, recourse or rights of action would otherwise cause the Flow-Through Shares to be or to become "prescribed shares" within the meaning of section 6202.1 of the regulations to the Tax Act;
- (i) that the Corporation will maintain its status as a Principal Business Corporation until such time as all of the Qualifying Expenditures required to be renounced under this Subscription Agreement have been incurred (or are deemed to have been incurred) and validly renounced pursuant to the Tax Act;
- (j) to file on a timely basis all forms required under the Tax Act to effectively renounce Qualifying Expenditures in accordance with the provisions of this Subscription Agreement and the Prospectus and to provide on a timely basis the Subscribers with a copy of all such forms as are required to be provided thereto;
- (k) that all Qualifying Expenditures to be renounced to the Subscribers pursuant to this Subscription Agreement;



- (i) will constitute CEE on the effective date of the renunciation;
  - (ii) will not include expenses that are either prescribed to constitute “Canadian exploration and development overhead expenses” for the purposes of paragraph 66(12.6)(b) of the Tax Act, the amount of any assistance described in paragraph 66(12.6)(a) of the Tax Act, any expenditure described in paragraph 66(12.6)(b.1) of the Tax Act or any expenses for prepaid services or rent that do not qualify as outlays and expenses for the period as described in the definition of the term “expense” in paragraph 66(15) of the Tax Act;
  - (iii) will not include any amount that has previously been renounced by the Corporation to the Subscribers or to any other person;
  - (iv) would be deductible by the Corporation in computing its income for purposes of Part I of the Tax Act but for the renunciation to the Subscribers;
  - (v) will not be subject to any reduction under subsection 66(12.73) of the Tax Act; and
  - (vi) will qualify as “flow-through mining expenditures” as defined in subsection 127(9) of the Tax Act;
- (l) that the Corporation will not be subject to the provisions of subsection 66(12.67) of the Tax Act in a manner which impairs its ability to renounce Qualifying Expenditures to each Subscriber in an amount equal to the Commitment Amount of such Subscriber;
  - (m) that the Corporation will refrain from entering into any agreements or transactions or taking deductions which would otherwise reduce its cumulative CEE to an extent that would preclude the renunciation of Qualifying Expenditures hereunder in an amount equal to the aggregate Commitment Amount as contemplated herein;
  - (n) in the event that the Corporation has received, is entitled to receive, or may reasonably be expected to receive, assistance at any time that may reasonably be related to the Qualifying Expenditures which could otherwise affect the amount that could be renounced to the Subscribers pursuant to this Subscription Agreement, the Corporation will incur (or be deemed to incur) additional Qualifying Expenditures using funds from other sources in an amount equal to any such assistance, such that the aggregate Qualifying Expenditures renounced to the Subscribers pursuant to this Subscription Agreement will not be less than nor exceed the aggregate Commitment Amount;
  - (o) the Corporation shall incur and renounce to the Subscribers Qualifying Expenditures with respect to this Subscription Agreement and all other subscription and renunciation agreements of even date with this Subscription Agreement entered into by the Corporation for the issue of “flow-through shares” (within the meaning of the Tax Act) (the “**Other Agreements**”) pro rata by number of such shares issued or to be issued pursuant thereto prior to incurring and renouncing CEE pursuant to any other agreements entered into subsequently by the Corporation for the issue of “flow-through shares” (within the meaning of the Tax Act) (the “**Subsequent Agreements**”);
  - (p) if the Corporation is required under the Tax Act (or any corresponding provincial legislation) to reduce Qualifying Expenditures previously renounced to the Subscribers pursuant to this Subscription Agreement, the reduction shall (subject to agreement with any Subscriber whereby the amount of the reduction for such Subscriber is higher than otherwise provided herein) be made pro rata by number of Flow-Through Shares issued or to be issued pursuant to this Subscription Agreement to the reduction made under the Other Agreements but the Corporation shall not reduce Qualifying Expenditures renounced to the Subscribers under this Subscription Agreement until it has first reduced all CEE renounced pursuant to any Subsequent Agreements;

- (q) the Corporation shall not, without the prior written consent of the Agent (which consent may be withheld in the sole discretion of the Agent) enter into any other agreement which would prevent or restrict its ability to renounce Qualifying Expenditures to the Subscribers in the amount of the aggregate Commitment Amount;
  - (r) the Corporation shall not claim any deduction for Qualifying Expenditures renounced to the Subscribers under this Subscription Agreement, or depletion of any sort in respect of the Qualifying Expenditures renounced to the Subscribers under this Subscription Agreement, when preparing its tax returns from time to time; and
  - (s) if the Corporation amalgamates with any one or more companies prior to January 1, 2016 any shares issued to or held by the Subscribers as replacement for Flow-Through Shares as a result of such amalgamation will qualify, by virtue of subsection 87(4.4) of the Tax Act, as “flow-through shares” as described in subsection 66(15) of the Tax Act and in particular will not be “prescribed shares” as defined in section 6202.1 of the regulations to the Tax Act.
7. Nothing herein shall constitute or be construed to constitute a partnership of any kind whatsoever between the Subscribers or any of them and the Corporation.
  8. The contract arising out of this Subscription Agreement and all documents relating thereto, which by common accord has been and will be drafted in English, shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.
  9. Time shall be of the essence hereof.
  10. The covenants, representations and warranties contained in this Subscription Agreement shall be true and correct as of the closing of the offering of securities under the Prospectus and shall survive such closing.
  11. The subscriptions of the Subscribers are further subject to any rights available to the Subscribers under applicable laws.
  12. This Subscription Agreement shall be binding on and enure to the benefit of the Subscribers and the Corporation and their respective heirs, executors, administrators, successors and assigns.

DATED at the City of Toronto, in the Province of Ontario, this \_\_\_\_\_ day of ●, 2014.

\_\_\_\_\_, as duly authorized agent  
for those Subscribers whose names are set out on Schedule  
“1” attached hereto.

Per: \_\_\_\_\_

THIS SUBSCRIPTION AND RENUNCIATION AGREEMENT IS ACCEPTED AND AGREED TO BY THE CORPORATION at the City of Toronto, in the Province of Ontario, this \_\_\_\_\_ day of ●, 2014.

KWG RESOURCES INC.

Per: \_\_\_\_\_

**SCHEDULE "1"**

**KWG RESOURCES INC.**

<b>Name of Subscriber</b>	<b>Address of Subscriber</b>	<b>Social Insurance No. or Corporate Tax Account No.</b>	<b>Number of Flow- Through Shares Subscribed for</b>	<b>Total Subscription Amount at \$0.05 per Flow-Through Share (Commitment Amount)</b>

**CERTIFICATE OF THE CORPORATION**

November 13, 2014

This amended and restated short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this amended and restated short form prospectus as required by the securities legislation of each of Ontario, British Columbia and Quebec.

(Signed) "*Frank C. Smeenk*"  
President and Chief Executive Officer

(Signed) "*Thomas E. Masters*"  
Chief Financial Officer

**On Behalf of the Board of Directors**

(Signed) "*Thomas Pladsen*"  
Director

(Signed) "*Douglas Flett*"  
Director

**CERTIFICATE OF THE AGENT**

November 13, 2014

To the best of our knowledge, information and belief, this amended and restated short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this amended and restated short form prospectus as required by the securities legislation of each of Ontario and British Columbia.

(Signed) "*George Aprile*"  
Chief Financial Officer  
Secutor Capital Management Corporation