

MATERIAL CHANGE REPORT
Form 51-102F3
Section 7.1 of National Instrument 51-102

Item 1 Name and Address of Company

KWG Resources Inc. (the “Company” or “KWG”)
141 Adelaide Street West
Suite 420
Toronto, Ontario M5H 3L5

Item 2 Date of Material Change

December 20, 2019

Item 3 News Release

A news release was issued via Newsfile Corp. on Friday, December 20, 2019.

Item 4 Summary of Material Change

The Company announced that the holder of a Convertible Debenture issued by the Company for proceeds of \$500,000 has agreed to extend its maturity until March 26, 2021. As consideration for the extension, KWG agreed to distribute ferrochrome delivery warrants (the “**Delivery Warrants**”) to the debenture holder and amend the redemption amount due and bearing interest as of December 19, 2019 to \$525,000.

Item 5 Full Description of Material Change

The Company announced that the holder of a Convertible Debenture issued by the Company for proceeds of \$500,000 has agreed to extend its maturity until March 26, 2021. As consideration for the extension, KWG agreed to distribute Delivery Warrants to the debenture holder and amend the redemption amount due and bearing interest as of December 19, 2019 to \$525,000.

For each \$35.00 principal amount of the Convertible Debenture, the debenture holder will receive Delivery Warrants exchangeable on a first-come aliquot basis for one ton of warehoused ferrochrome. The terms of the Delivery Warrants will provide that they may be tendered by their holders to receive ferrochrome from 1% of any future ferrochrome production from the Company’s chromite mineral interests, if and when produced. The Company intends to set a ferrochrome delivery standard for ferrochrome after processing to be approximately 52% chrome content with carbon of 6% – 8%, silica not exceeding 1.5% and the remaining fraction being principally iron. The Company proposes to list the Delivery Warrants for trading on the Canadian Securities Exchange (the “**CSE**”) which, if implemented, could provide a liquid market for ferrochrome price hedging. The Company is planning to proceed with a Rights Offering to meet a CSE listing condition of demonstrating a sufficiently wide distribution of the Delivery Warrants. The Company is planning to announce terms of the Rights Offering in early 2020.

In connection with the creation of the Delivery Warrants, the Company will undertake to provide a security interest in its chromite mineral title to back the obligation for future delivery and will also undertake that, should production of ferrochrome ensue in future from minerals recovered from those mineral claims, 1% of all such production will be warehoused on an ongoing basis to provide stocks of ferrochrome for delivery to warrant-holders wishing to take delivery of ferrochrome in exchange for tender and cancellation of their corresponding Delivery Warrants. The Company does not currently produce any chromite or ferrochrome and there is no assurance that the Company will ever produce any chromite or ferrochrome; accordingly, holders of Delivery Warrants may never be able to take delivery of ferro-chrome pursuant to the Delivery Warrants.

KWG is a mineral exploration company with mineral exploration claims in the Ring of Fire area of northwestern Ontario. The Company does not currently have any reserves (within the meaning of National Instrument 43-101) of chromite inasmuch as its mineral interests there are all in the

categories of measured, indicated and inferred resources and there is no assurance that the Company will ever produce ferrochrome or chrome. KWG has a 30% joint venture interest in the Big Daddy deposit which contains NI 43-101 measured and indicated resources of 29.1 million Tonnes of 31.7% chrome oxide and inferred resources of 3.4 million Tonnes of 28.1% chrome oxide. The Company has a 50% interest in the Black Horse deposit which contains NI 43-101 inferred resources of 85.9 million Tonnes of 34.5% chrome oxide. The Company does not currently produce any chromite or ferrochrome from these or any other deposits and there is no assurance that the Company will ever produce any chromite or ferrochrome.

Item 6 Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

Not applicable.

Item 8 Executive Officer

Inquiries in respect of the material change referred to herein may be made to:

Frank Smeenk, Chief Executive Officer

tel: (416) 642-3575

Item 9 Date of Report

This report is dated as of the 31st day of December, 2019.