

FORM 5

QUARTERLY LISTING STATEMENT

Name of CNSX Issuer: KWG Resources Inc. (the "Issuer").

Trading Symbol: KWG

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities Act*, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the CNSX Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the CNSX.ca website.

General Instructions

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term "Issuer" includes the CNSX Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions – *INCLUDED IN THE FINANCIAL STATEMENTS*

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

- (a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient. **See note 15 to Interim Consolidated Financial Statements.**
- (b) A description of the transaction(s), including those for which no amount has been recorded.
- (c) The recorded amount of the transactions classified by financial statement category.
- (d) The amounts due to or from Related Persons and the terms and conditions relating thereto. **See note 15 to Interim Consolidated Financial Statements.**
- (e) Contractual obligations with Related Persons, separate from other contractual obligations. **N/A**
- (f) Contingencies involving Related Persons, separate from other contingencies. **N/A**

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

- (a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
Jan	Common shares	Private placement	282,500	0.05	-	Issued for service	Non related	No
Jan	Common shares	Private placement	200,000	0.05	10,000	Issued for service	Non related	No
Feb	Common shares	Private Placement	10,000,000	0.05	-	Option payment	Non related	No
Feb	Units	Private placement	1,700,000	0,05	85,000	cash	Non related	No
March	Units	Private placement	1,000,000	0,05	50,000	cash	Non related	2,500 + 20,000 compensation options

(b) summary of options granted during the period, N/A

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

- (a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,
Authorized - An unlimited number of common shares
- (b) number and recorded value for shares issued and outstanding,-
750,312,273 common shares – recorded value of \$25,346,456

(c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, **See notes 11 and 12 to Interim Consolidated Financial Statements.**

and

(d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer. **N/A**

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

Douglas M. Flett, Chairman and director
Frank C. Smeenk, President and CEO and director
Donald A. Sheldon, Director
Cynthia Thomas, Director
Thomas Pladsen, Director
Thomas E. Masters, CFO
Luce L. Saint-Pierre, Secretary

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to CNSX that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all CNSX Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated June 3, 2014 .

Luce L. Saint-Pierre
Name of Director or Senior Officer

(s) Luce L. Saint-Pierre
Signature

Corporate Secretary
Official Capacity

Issuer Details Name of Issuer KWG Resources Inc.	For Quarter Ended March 31	Date of Report YY/MM/D 2014/06/03
Issuer Address 2750 – 600 de Maisonneuve West		
City/Province/Postal Code Montréal, Quebec H2V 2V9	Issuer Fax No. 514-866-6193	Issuer Telephone No. 514-866-6001 ext. 230
Contact Name Luce L. Saint-Pierre	Contact Position Corporate Secretary	Contact Telephone No. 514-866-6001 ext. 230
Contact Email Address lsPierre@kwgresources.com	Web Site Address www/kwgresources.com	

KWG RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

THREE-MONTH PERIODS ENDED MARCH 31, 2014 AND 2013

NOTICE TO READERS OF THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS:

The accompanying unaudited condensed interim consolidated financial statements of KWG Resources Inc. have been prepared by and are the responsibility of the Company's management.

In accordance with National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators, the Company herewith discloses that its independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements.

DOUGLAS FLETT, Director

THOMAS E. MASTERS, Chief Financial Officer

Montreal, Quebec
May 29, 2014

KWG RESOURCES INC.
Condensed Interim Consolidated Balance Sheets
(Unaudited)

(in Canadian dollars)	Notes	As at March 31, 2014	As at December 31, 2013
ASSETS			
Current assets			
Cash and cash equivalents	4	4,191,398	6,172,478
Receivables	5	1,764,589	1,516,970
Marketable securities	6	264,439	147,739
Prepaid expenses		21,035	38,201
Total current assets		6,241,461	7,875,388
Non-current assets			
Property and equipment	7	44,172	51,631
Exploration and evaluation projects	8	37,235,495	35,252,177
Total non-current assets		37,279,667	35,303,808
Total assets		43,521,128	43,179,196
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	9	492,467	270,022
Total liabilities		492,467	270,022
Equity			
Share capital	10	25,346,456	24,722,501
Warrants	11	3,499,939	3,469,946
Contributed surplus		12,522,088	12,475,828
Accumulated other comprehensive loss		35,910	-
Retained earnings		1,624,268	2,240,899
Total equity		43,028,661	42,909,174
Total liabilities and equity		43,521,128	43,179,196

Nature of operations (Note 1)
Commitments and contingencies (Note 16)
Subsequent events (Note 21)

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

Approved by the Board of Directors

Douglas Flett
Director

Frank Smeenk
Director

KWG RESOURCES INC.
Condensed Interim Consolidated Statements of Operations and Statements of Comprehensive Loss
(Unaudited)

Condensed Interim Consolidated Statements of Operations

(in Canadian dollars)	Notes	Three-month periods ended March 31	
		2014	2013
General and administrative	13	(642,170)	(888,459)
Amortization of property and equipment	7	(7,459)	(8,895)
Stock compensation costs	12	(46,260)	(22,143)
Gain (loss) on foreign exchange		(26)	237
Loss before the undernoted		(695,915)	(919,260)
Other income (expenses)			
Finance income (expense)	14	78,503	(45,544)
Other income		781	781
Gain on revaluation of warrant liability		-	3,205
		79,284	(41,558)
Net loss for the period		(616,631)	(960,818)
Loss per share (basic and diluted)		(0.00)	(0.00)
Weighted average number of outstanding shares		744,060,773	691,577,273

Condensed Interim Consolidated Statements of Comprehensive Loss

(in Canadian dollars)	Notes	Three-month periods ended March 31	
		2014	2013
Net loss for the period		(616,631)	(960,818)
Other comprehensive income (loss)			
Net change in fair value of available for sale ("AFS") assets	6	35,910	(230,449)
Total comprehensive loss for the period		(580,721)	(1,191,267)

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

KWG RESOURCES INC.
Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited)

(in Canadian dollars)	Notes	Share capital	Warrants	Contributed surplus	Retained earnings	Accumu- lated other comprehen- sive income (loss)	Total
Balance, January 1, 2013		22,991,304	3,170,895	12,025,684	5,168,848	(5,976)	43,350,755
Net loss for the period		-	-	-	(960,818)	-	(960,818)
Other comprehensive loss for the period		-	-	-	-	(230,449)	(230,449)
Expired warrants	10	-	(187,234)	187,234	-	-	-
Stock-based compensation	12	-	-	22,143	-	-	22,143
Balance, March 31, 2013		22,991,304	2,983,661	12,235,061	4,208,030	(236,425)	42,181,631
Net loss for the period		-	-	-	(1,967,131)	-	(1,967,131)
Other comprehensive loss for the period		-	-	-	-	236,425	236,425
Private placements, net of share issuance costs	10	1,717,072	478,813	-	-	-	2,195,885
Issued for agent's compensation	10	-	7,472	-	-	-	7,472
Issued for services rendered	10	14,125	-	-	-	-	14,125
Stock-based compensation	12	-	-	240,767	-	-	240,767
Balance, December 31, 2013		24,722,501	3,469,946	12,475,828	2,240,899	-	42,909,174
Net loss for the period		-	-	-	(616,631)	-	(616,631)
Other comprehensive income for the period	6	-	-	-	-	35,910	35,910
Private placements, net of share issuance costs	10	109,830	29,473	-	-	-	139,303
Issued for exploration and evaluation projects	8	500,000	-	-	-	-	500,000
Issued for agent's compensation	10	-	520	-	-	-	520
Issued for services rendered	10	14,125	-	-	-	-	14,125
Stock-based compensation	12	-	-	46,260	-	-	46,260
Balance, March 31, 2014		25,346,456	3,499,939	12,522,088	1,624,268	35,910	43,028,661

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

KWG RESOURCES INC.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)

(in Canadian dollars)	Notes	Three-month periods ended March 31	
		2014	2013
Cash flows from operating activities			
Net loss for the period		(616,631)	(960,818)
Adjustments for			
Amortization of property and equipment	7	7,459	8,895
Stock-based compensation costs	12	46,260	22,143
Shares issued for services	10	14,125	-
Fair value changes in financial assets classified as fair value through profit & loss ("FVTPL")	6	(63,000)	127,900
Amortization of flow-through premium		-	(58,188)
Gain (loss) on revaluation of warrant liability		-	(3,205)
Net change in non-cash working capital balances		(167,345)	(3,274,400)
Net cash used by operating activities		(779,132)	(4,137,673)
Cash flows from financing activities			
Share capital issued	10	145,000	-
Share and warrant issue expenses	10	(5,177)	-
Net cash provided by financing activities		139,823	-
Cash flows from investing activities			
Expenditures on exploration and evaluation projects	8	(1,340,981)	(463,737)
Purchases of property and equipment	7	-	(3,113)
Purchase of marketable securities	6	(790)	-
Decrease in advances to related company	15	-	82,663
Net cash used by investing activities		(1,341,771)	(384,187)
Net change in cash and cash equivalents during the period		(1,981,080)	(4,521,860)
Cash and cash equivalents – Beginning of the period		6,172,478	11,066,004
Cash and cash equivalents – End of the period		4,191,398	6,544,144
Change in non-cash working capital balances comprises:			
Receivables		(264,619)	(3,096,114)
Prepaid expenses		17,166	11,233
Trade and other payables		80,108	(189,519)
Net change in non-cash working capital balances		(167,345)	(3,274,400)
Additional information - non-cash transactions			
Issuance of shares/warrants for exploration and evaluation projects	8	500,000	-
Expired warrants included in contributed surplus	11	-	187,234
Additions to exploration and evaluation projects included in accounts payable	9	264,623	10,687

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

KWG RESOURCES INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited) (in Canadian dollars)

1 NATURE OF OPERATIONS

Nature of Operations

KWG Resources Inc. ("KWG" or the "Company") is an incorporated entity domiciled in Canada. The Company's registered office is located at 600 de Maisonneuve Boulevard West, Suite 2750, Montreal, Quebec, H3A 3J2. KWG is involved in the exploration and evaluation of base and precious metals and in the development of a transportation link to access the remote areas where these are located. It has interests in properties located in Canada. It was incorporated on August 21, 1937.

The Company is listed on the TSX Venture Exchange and on the Canadian National Stock Exchange under the symbol "KWG".

The Company is in the process of exploring its exploration and evaluation projects and has not yet determined whether its exploration and evaluation projects contain mineral deposits that are economically recoverable. The Company will periodically have to raise additional funds to continue its exploration activities and, while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Until it is determined that properties contain mineral reserves or resources that can be economically mined, they are classified as exploration and evaluation properties. The recoverability of exploration and evaluation project expenditures is dependent upon: the discovery of economically recoverable reserves and resources; securing and maintaining title and beneficial interest in the properties; the ability to obtain necessary financing to complete exploration, development and construction of processing facilities; obtaining certain government approvals; and attaining profitable production.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. The holding of mineral rights does not provide full rights to the surface of the lands over those mineral rights – such surface rights may be held or acquired by third parties. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. Furthermore, there is no assurance that the interest of the Company in any of its properties may not be challenged or impugned.

2 BASIS OF PREPARATION

(a) Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") *IAS 34 – Interim Financial Reporting* and should be read in conjunction with the annual financial statements for the year ended December 31, 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This is considered generally accepted accounting principles for Canadian public companies.

The management of KWG prepare these unaudited condensed interim consolidated financial statements which are then reviewed by the Audit Committee and the Board of Directors. These unaudited condensed interim consolidated financial statements were approved by the Board of Directors for issue on May 29, 2014.

KWG RESOURCES INC.
Notes to the Condensed Interim Consolidated Financial Statements
(Unaudited) (in Canadian dollars)

(b) Basis of Measurement

The condensed interim consolidated financial statements have been prepared under the historic cost convention, except for investments in equity securities and derivatives, including warrants, which are measured at fair value.

(c) Basis of Consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: Canada Chrome Corporation which was incorporated in Ontario, Canada on February 20, 2009; SMD Mining Corporation which was incorporated in Ontario, Canada on January 16, 2008; and Canada Chrome Mining Corporation which was incorporated federally on June 4, 2010. The latter two companies have been inactive since their inception.

(d) Foreign Currency

(i) Functional and presentation currency

Items included in the financial statements of each consolidated entity in the KWG group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of KWG and all of its subsidiaries is the Canadian dollar.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statements of operations in "gain (loss) on foreign exchange".

(e) Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

It is reasonably possible that, on the basis of existing knowledge, outcomes in the next financial year that are different from the assumptions used could require a material adjustment to the carrying amount of the asset or liability affected.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Management has made a number of significant estimates and valuation assumptions based on present conditions and management's planned course of action as well as assumptions about future business and economic conditions which include, but are not limited to, the following:

Capitalization of exploration and evaluation costs

Management has determined that exploration and evaluation costs incurred during the year have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and

KWG RESOURCES INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited) (in Canadian dollars)

probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. See Note 8 for details of capitalized exploration and evaluation costs.

Impairment of mineral property interests

While assessing whether any indications of impairment exist for mineral properties and deferred exploration expenditures, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of mineral properties and deferred exploration expenditures. Internal sources of information include the manner in which mineral properties and deferred exploration expenditures are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. 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 Company's mineral properties and deferred exploration expenditures.

Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Contingencies

Refer to Note 16.

KWG RESOURCES INC.
Notes to the Condensed Interim Consolidated Financial Statements
(Unaudited) (in Canadian dollars)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are set out in Note 3 to the 2013 audited consolidated financial statements, as updated under New Accounting Policies below. Such policies have been applied consistently to all periods presented in these financial statements.

(a) New Accounting Policies

The IASB issued a number of new and revised International Accounting Standards which are effective for the Company's financial year beginning January 1, 2014. For the purpose of preparing and presenting the financial information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

(b) New Standards and Interpretations Not Yet Adopted

Since the issuance of the Company's 2013 audited consolidated financial statements, the IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued no additional new and revised standards and interpretations which are applicable to the Company. Refer to Note 3 of those statements.

4 CASH AND CASH EQUIVALENTS

	As at March 31, 2014	As at December 31, 2013
Bank balances	272,839	244,428
Short-term deposits	3,918,559	5,928,050
Cash and cash equivalents	4,191,398	6,172,478

5 RECEIVABLES

	As at March 31, 2014	As at December 31, 2013
Sales taxes receivable	905,916	666,533
Due from Debut Diamonds Inc. (Note 16)	661,347	661,347
Other receivables	197,326	189,090
Receivables	1,764,589	1,516,970

KWG RESOURCES INC.
Notes to the Condensed Interim Consolidated Financial Statements
(Unaudited) (in Canadian dollars)

6 MARKETABLE SECURITIES

	As at March 31, 2014	As at December 31, 2013
AFS:		
GoldTrain Resources Inc. ("GoldTrain") (i) 10,695,000 common shares (7,270,000 in 2013)	124,740	72,700
Eloro Resources Ltd. ("Eloro") (ii) 3,080,580 common shares	46,209	46,209
Debut Diamonds Inc. 166,000 common shares	2,490	830
Total AFS	173,439	119,739
Financial assets at FVTPL:		
Eloro Resources Ltd. (ii) 3,080,580 premium warrants	-	-
Debut Diamonds Inc. (iii) 7,000,000 warrants exercisable at \$0.07	91,000	28,000
Total FVTPL	91,000	28,000
Marketable securities	264,439	147,739

- (i) On June 9, 2011, KWG acquired 7,000,000 common shares and 7,000,000 warrants (each warrant entitling the holder to purchase one common share for \$0.10 on or before June 9, 2013) in GoldTrain Resources Inc. ("GoldTrain") in exchange for the settlement of a debt owed by GoldTrain to KWG. On June 9, 2011 the market value of the GoldTrain shares was \$280,000. The warrants were valued at \$151,200 on the date of acquisition. The 7,000,000 warrants expired unexercised. On March 5, 2014, KWG acquired 3,350,000 common shares in GoldTrain at a price of \$0.02 per share in settlement of \$67,000 of debt owed by GoldTrain to KWG. In addition to these transactions, the Company has acquired an additional 345,000 common shares through purchases on the open market. KWG's holdings represent approximately 18.03% of the issued and outstanding common shares of GoldTrain.
- (ii) On December 21, 2011, KWG acquired 3,080,580 common shares, 3,080,580 premium warrants and 1,540,290 regular warrants of Eloro Resources Ltd ("Eloro") in exchange for 100% of the issued and outstanding common shares of 6949541 Canada Inc ("6949541"), a wholly-owned subsidiary of KWG. The premium warrants entitle the holder to purchase one common share for \$1.00 on or before November 18, 2016. If the closing price of the common shares is over \$1.50 for 20 consecutive trading days following the expiry of the 4 month hold period, the premium warrants must be exercised within 10 business days of Eloro providing written notice, or they will be cancelled. The premium warrants were valued at \$71,187 on the acquisition date. The regular warrants entitled the holder to purchase one common share for \$0.24 on or before May 18, 2013. The regular warrants have now expired.
- (iii) On August 29, 2011, KWG acquired 7,000,000 common shares and 7,000,000 warrants (each warrant entitling the holder to purchase one common share for \$0.40 on or before August 29, 2016) in Debut Diamonds Inc. ("DDI") in exchange for 21,000,000 common shares and 21,000,000 warrants (each warrant entitling the holder to purchase one common share for \$0.15 on or before August 29, 2016) in KWG. The value attributed to the shares was based on KWG's market value on August 29, 2011, which was \$0.085 per share since there was no comparable information for DDI. The warrants were valued at

KWG RESOURCES INC.
Notes to the Condensed Interim Consolidated Financial Statements
(Unaudited) (in Canadian dollars)

\$1,638,000 on the acquisition date using the Black-Scholes options pricing model based on the following assumptions: fair value of share at grant date \$0.085, dividend yield of 0%, volatility of 163%, risk-free interest rate of 1.65% and an expected life of 5 years. The common shares of DDI were subsequently distributed to KWG's shareholders as a return of capital in December 2011. During the year ended December 31, 2012, the Company purchased 166,000 common shares of DDI on the open market. On July 24, 2012, DDI announced that it was reducing the exercise price on all of its warrants to \$0.07 per warrant effective as of that day. There are no other changes to the terms of the warrants.

Warrants

The financial assets at FVTPL consist of warrants which are not publicly-traded. However, their valuation can be obtained through the use of a valuation model, the inputs for which are readily determinable. Any change in fair value after initial recognition, is recorded through the consolidated statements of operations as a finance income (loss). The fair value of the warrants increased by \$63,000 during the first quarter of 2014.

The following table summarizes the inputs that were used to calculate the fair value of the warrants as at March 31, 2014:

	Eloro Premium	DDI
Expiry date	Nov 18/16	Aug 29/16
Average dividend per share	Nil	Nil
Estimated volatility	95.82%	227.30%
Risk-free interest rate	1.06%	1.06%
Expected life of the options granted	962 days	881 days
Calculated value per warrant	\$0.000	\$0.013

Sensitivity Analysis - Equity Price Risk

All of the Company's financial assets classified as AFS are listed on public stock exchanges. For such investments, a 10% increase in the equity prices at the reporting date would have increased equity by approximately \$17,000. An equal change in the opposite direction would have had the equal but opposite effect on the amounts shown above.

For financial assets classified at FVTPL, the impact on operations of a 10% increase in the fair value of these warrants at the reporting date would have been approximately \$9,000. An equal change in the opposite direction would have had the equal but opposite effect on the amounts shown above.

KWG RESOURCES INC.
Notes to the Condensed Interim Consolidated Financial Statements
(Unaudited) (in Canadian dollars)

7 PROPERTY AND EQUIPMENT

	Automobiles	Computer Equipment	Office Equipment	Leasehold Improvements	Totals
Balance, January 1, 2013					
Cost	78,690	30,582	41,150	27,307	177,729
Accumulated amortization	(52,079)	(26,112)	(14,564)	(2,276)	(95,031)
Net book value	26,611	4,470	26,586	25,031	82,698
Additions (disposals)	(8,550)	-	3,112	-	(5,438)
Amortization reversed on disposal	7,125	-	-	-	7,125
Amortization	(14,901)	(3,555)	(8,837)	(5,461)	(32,754)
Balance, December 31, 2013					
Cost	70,140	30,582	44,262	27,307	172,291
Accumulated amortization	(59,855)	(29,667)	(23,401)	(7,737)	(120,660)
Net book value	10,285	915	20,861	19,570	51,631
Additions	-	-	-	-	-
Amortization	(3,428)	(469)	(2,197)	(1,365)	(7,459)
Balance, March 31, 2014					
Cost	70,140	30,582	44,262	27,307	172,291
Accumulated amortization	(63,283)	(30,136)	(25,598)	(9,102)	(128,119)
Net book value	6,857	446	18,664	18,205	44,172

8 EXPLORATION AND EVALUATION PROJECTS

Cumulative costs relating to the acquisition of and expenditures on exploration and evaluation projects have been incurred as follows:

	Balance as at January 1, 2013	Current Expenditures	Write Downs	Balance as at December 31, 2013
Canada – Ontario				
Spider No. 3 / McFaulds Lake (i)	4,189,695	(1,318)	-	4,188,377
Big Daddy (ii)	10,065,364	172,839	-	10,238,203
Diagnos (i)	178,014	-	-	178,014
Railroute Corridor (iii)	16,084,171	248,745	-	16,332,916
The Temagami Iron L.P. (iv)	100,000	15,000	-	115,000
CME Project	500,000	(488,000)	(12,000)	-
Koper Lake Project (v)	-	4,199,667	-	4,199,667
	31,117,244	4,146,933	(12,000)	35,252,177
	Balance as at January 1, 2014	Current Expenditures	Write Downs	Balance as at March 31, 2014
Canada – Ontario				
Spider No. 3 / McFaulds Lake (i)	4,188,377	-	-	4,188,377
Big Daddy (ii)	10,238,203	-	-	10,238,203
Diagnos (i)	178,014	-	-	178,014
Railroute Corridor (iii)	16,332,916	2,931	-	16,335,847
The Temagami Iron L.P. (iv)	115,000	3,000	-	118,000
Koper Lake Project (v)	4,199,667	1,977,387	-	6,177,054
	35,252,177	1,983,318	-	37,235,495

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- (i) On May 15, 2006, the Company and Cliffs Chromite Far North Inc. ("Cliffs"), formerly Spider Resources Inc., agreed to amend and revise their joint venture agreement. The companies agreed to treat each project in their joint venture as a separate joint venture, to enable each company to either increase or decrease its interest in a project based upon their respective strategic objectives. The Company and Cliffs agreed to have their respective initial interest established at 50% in all the current projects of the joint venture.

Each party's interest is diluted by not contributing further to the other party's exploration program until its interest has reached 33 1/3%. At that level, a party's interest in a project may be maintained by contribution to subsequent programs, or suffer further dilution. When an interest has been reduced to less than 10%, it will be automatically converted to a 0.5% Net Smelter Royalty ("NSR") in base metals and a 1% NSR in precious metals and diamonds. As of December 31, 2013, the Company held a 50% interest in these projects.

- (ii) In December 2005, KWG/Cliffs entered into an agreement with Freewest Resources Canada Inc. ("Freewest") for the acquisition of a 25% interest in certain mining property claims contiguous to McFauld's Lake in Ontario. The contribution of the Company included a commitment to carry out exploration work in the amount of \$1,500,000 before October 13, 2009 of which at least \$200,000 was incurred before February 28, 2006; and accordingly, each of KWG and Cliffs earned a 25% interest of the property.

On March 27, 2009, the Company negotiated an amendment to the Freewest Option Agreement whereby the option earn-in calls for a \$15,000,000, three-year commitment. As a result of this amendment, the Company is no longer required to prepare a bankable feasibility study within 18 months, as had been called for in the 2005 agreement. Under the amendment, KWG would have options for up to a \$7,500,000 commitment over the next three years, of which \$2,500,000 was required to be spent before March 31, 2010. In early 2010, Freewest was served with a notice that this first commitment had been met. A further \$2,500,000 was required to be spent before March 31, 2011. This requirement was satisfied through the direct payment to Freewest early in the second quarter of 2011. Each such option increases the Company's ownership by 1.5%. The final \$2,500,000 was required to be spent by March 31, 2012 and this requirement was met. Each option increases the Company's ownership by 1.5% with the result being that KWG now owns 30% of the Big Daddy project.

- (iii) During 2009, the Company commenced efforts to explore and develop a transportation link to the Company's properties in Northern Ontario in order to increase the economic viability of these properties. These operations entailed a detailed analysis of railroad route alternatives, preliminary soils analysis and claim staking. Concurrent with this activity the Company is performing exploration activities on these claims. This project and exploration activity was continued throughout 2010 and 2011. All costs related to this project have been capitalized. On March 2, 2012, the Company acquired 49 unpatented claims from INV Metals Inc. for consideration consisting of 3,000,000 common shares and 3,000,000 warrants. These claims are contiguous to the claims already held by the Company and are located on the railroad route.
- (iv) On June 1, 2012, the Company purchased for \$100,000 in cash, 2,000,000 units (representing 6.3% of the outstanding units) and 2,000,000 warrants of The Temagami Iron Limited Partnership ("Temagami"). The warrants may be exercised to acquire additional partnership units at \$0.05 each at any time within 90 days after the receipt of a compilation report on the property. These funds will be used by Temagami to update

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studies and provide KWG with an opportunity to review and participate further, if appropriate. In April of 2013, the Company exercised 300,000 of these warrants for a cash consideration of \$15,000. The Company now owns 2,300,000 units of the partnership.

- (v) On March 4, 2013, the Company signed an agreement with Bold Ventures Inc. ("Bold") to fund Bold as the Operator to drill the Black Horse chromite discovery. The intent of the program is to determine whether this chromite mineralization occurs in sufficient quantity and quality to demonstrate the feasibility of mining it. Bold recently entered into an option agreement (the "Fancamp Option") to acquire the Black Horse claims from Fancamp Exploration Ltd. ("Fancamp"). Under the Fancamp Option, Bold can earn up to a 100% working interest in the Black Horse property through a four-stage process. Bold can earn a 50% interest under the first stage by making option payments totalling \$1,500,000 and incurring exploration expenditures of at least \$8,000,000 over a 3-year period. The second stage provides for a further 10% interest that may be earned by Bold at any time by delivery of a positive feasibility study and by making a payment of \$700,000 in cash and/or stock, at the option of Bold. Under the third stage, Bold can earn a further 20% interest by agreeing to pay Fancamp \$15,000,000, payable in equal instalments, over three years with half of the amount payable in cash and the balance payable, at Bold's option, through the issuance of common shares of Bold, or its assignee, at the market price at the time the shares are issued. If the option under the third stage is exercised, the fourth stage would provide Bold with the option to acquire Fancamp's remaining 20% interest in exchange for a gross metal royalty. Fancamp would then be entitled to be paid 2% of the total revenue from the sale of all metals and mineral products from the property from the commencement of commercial production. Once all of the capital costs to bring the project to the production stage have been repaid entirely, the gross metal royalty may be scaled up to a maximum of 4% of the total revenue from the sale of all metals and mineral products from the property depending upon the price of product sold. The options under stages three and four must be exercised within 90 days following the date that Bold earns its 60% interest.

Under the terms of the agreement between KWG and Bold, KWG can acquire up to 80% of Bold's interest in the Fancamp Option, in respect of chromite only, by funding 100% of Bold's option payments and programs under the four stages listed above. For nickel and other non-chromite minerals identified during the exploration programs, the parties have agreed to form a joint venture in which KWG has a 20% working interest. KWG will have a right of first refusal to purchase all ores or concentrates produced by such joint venture whenever its joint venture interest exceeds 50%. Payments under the first stage in respect of the earn-in option total of \$1,500,000 are to be made as follows: funding of \$300,000 for a first program payable in escrow upon closing, \$500,000 by February 7, 2014 and \$700,000 by February 7, 2015 and in respect of the exploration expenditures totalling a minimum of \$8,000,000 are to be made as follows: \$3,000,000 payable upon closing, \$2,000,000 by March 31, 2014 and \$3,000,000 by March 31, 2015. The first option payment in the amount of \$300,000 was paid in cash. The Company has the option of making future option payments by way of either cash or stock of the Company. On September 30, 2013, the Company served Bold with written notice that it intends to fund the remaining commitments under stage one, totalling \$6,200,000, as required by this agreement. On February 7, 2014 the Company issued 10,000,000 shares in satisfaction of the second option payment. The first and second spending requirements in respect of exploration expenditures have been met as of March 31, 2014.

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9 TRADE AND OTHER PAYABLES

	Notes	March 31, 2014	December 31, 2013
Trade payables			
Exploration and evaluation projects	8	264,623	116,569
Non-project related		165,392	51,809
Accrued liabilities			
Exploration and evaluation projects		-	5,717
Non-project related		28,539	59,470
Lease inducement	16(ii)	33,913	36,457
		492,467	270,022

10 SHARE CAPITAL

Authorized

An unlimited number of no par value common shares

Issued

Changes in the Company's share capital were as follows:

	Three months ended March 31, 2014	Year ended December 31, 2013
Issued	Number of shares	Number of shares
Balance – beginning of period	737,129,773	691,577,273
Issued through private placements (i)(ii)(iv)(v)(vii)(viii)(ix)(x)	2,900,000	45,270,000
Issued for exploration and evaluation projects (iii)	10,000,000	-
Issued for services rendered (vi)	282,500	282,500
Balance – end of period	750,312,273	737,129,773

- (i) In March 2014, the Company completed a non-brokered private placement of 1,000,000 “flow-through” units at a price of \$0.05 per unit for a total consideration of \$50,000. Each unit consisted of one “flow-through” common share and one warrant which entitles the holder to purchase one “flow-through” common share for \$0.10 within three years of the date of issue. The warrants were valued at \$10,317 using a valuation model based on the following assumptions: - market value of \$0.05 per share, expected dividend yield of 0%, expected volatility of 65%, risk-free rate of return of 1.23% and a life of 3 years.

Finder's fees of \$2,500 in cash and 20,000 compensation options were paid to a qualified party in relation to this placement. Each compensation option entitles its holder to purchase one non-flow-through share at a price of \$0.05 for a period of three years from the date of issue. The fair value of the finder's compensation options was calculated using a valuation method based on the following assumptions: market value of \$0.05 per share, expected dividend yield of 0%, expected volatility of 65%, risk-free rate of return of 1.23% and a life of three years. As a result, the fair value of the compensation options was estimated at \$520.

- (ii) In February 2014, the Company completed non-brokered private placements of 1,700,000 “flow-through” units at a price of \$0.05 per unit for a total consideration of \$85,000. Each unit consisted of one “flow-through” common share and one warrant which entitles the

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holder to purchase one “flow-through” common share for \$0.10 within three years of the date of issue. The warrants were valued at \$17,192 using a valuation model based on the following assumptions: for 700,000 warrants - market value of \$0.045 per share, expected dividend yield of 0%, expected volatility of 67%, risk-free rate of return of 1.19% and a life of 3 years; and for 1,000,000 warrants – market value of \$0.05 per share, expected dividend yield of 0%, expected volatility of 67%, risk-free rate of return of 1.19% and a life of 3 years.

- (iii) On February 7, 2014, the Company issued 10,000,000 shares in satisfaction of the option payment due under the Bold Ventures project (Note 8(v)). These were valued at the market value on that date of \$0.05 per share, for a total cost of \$500,000.
- (iv) In January 2014, the Company completed non-brokered private placements of 200,000 “flow-through” units at a price of \$0.05 per unit for a total consideration of \$10,000. Each unit consisted of one “flow-through” common share and one warrant which entitles the holder to purchase one “flow-through” common share for \$0.10 within three years of the date of issue. The warrants were valued at \$1,964 using a valuation model based on the following assumptions: market value of \$0.045 per share, expected dividend yield of 0%, expected volatility of 67%, risk-free rate of return of 1.16% and a life of 3 years.
- (v) In December 2013, the Company completed non-brokered private placements of 2,310,000 “flow-through” units at a price of \$0.05 per unit for a total consideration of \$115,500. Each unit consisted of one “flow-through” common share and one warrant which entitles the holder to purchase one “flow-through” common share for \$0.10 within three years of the date of issue. The warrants were valued at \$20,142 using a valuation model based on the following assumptions: for 200,000 warrants - market value of \$0.05 per share, expected dividend yield of 0%, expected volatility of 69%, risk-free rate of return of 1.51% and a life of 3 years; for 250,000 warrants – market value of \$0.045 per share, expected dividend yield of 0%, expected volatility of 66%, risk-free rate of return of 1.62% and a life of 3 years; for 1,700,000 warrants – market value of \$0.045 per share, expected dividend yield of 0%, expected volatility of 63%, risk-free rate of return of 1.62% and a life of 3 years; and for 160,000 warrants – market value of \$0.04 per share, expected dividend yield of 0%, expected volatility of 66%, risk-free rate of return of 1.62% and a life of 3 years.
- (vi) On each of December 5, 2013 and February 7, 2014, 282,500 shares were issued to AGORA International Enterprises Corp (“AGORA”) at a market value of \$0.05 per share for a total consideration of \$14,125 for each issuance. These were the first two payments under a shares-for-service contract signed on October 7, 2013 (Note 16(iii)).
- (vii) In November 2013, the Company completed non-brokered private placements of 27,200,000 “flow-through” units at a price of \$0.05 per unit for a total consideration of \$1,360,000. Each unit consisted of one “flow-through” common share and one warrant which entitles the holder to purchase one “flow-through” common share for \$0.10 within three years of the date of issue. The warrants were valued at \$291,663 using a valuation model based on the following assumptions: for 22,500,000 warrants - market value of \$0.05 per share, expected dividend yield of 0%, expected volatility of 69%, risk-free rate of return of 1.51% and a life of 3 years; for 600,000 warrants – market value of \$0.045 per share, expected dividend yield of 0%, expected volatility of 69%, risk-free rate of return of 1.51% and a life of 3 years; and for 4,100,000 warrants – market value of \$0.05 per share,

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expected dividend yield of 0%, expected volatility of 62%, risk-free rate of return of 1.51% and a life of 3 years.

Finder's fees of \$42,000 in cash and 332,000 compensation options were paid to two qualified parties in relation to these placements, one of which was a related party (Note 15). Each compensation option entitles its holder to purchase one non-flow-through share at a price of \$0.05 for a period of three years from the date of issue. The fair value of the finder's compensation options was estimated using a valuation method based on the following assumptions: for 250,000 options - market value of \$0.05 per share, expected dividend yield of 0%, expected volatility of 69%, risk-free interest rate of 1.51% and a life of three years; and for 82,000 options - market value of \$0.05 per share, expected dividend yield of 0%, expected volatility of 62%, risk-free interest rate of 1.51% and a life of three years. As a result, the fair value of the compensation options was estimated at \$7,472 after a pro-rata allocation of the fair value of the options' components.

- (viii) In October 2013, the Company completed non-brokered private placements of 4,760,000 "flow-through" units at a price of \$0.05 per unit for a total consideration of \$238,000. Each unit consisted of one "flow-through" common share and one warrant which entitles the holder to purchase one "flow-through" common share for \$0.10 within three years of the date of issue. The warrants were valued at \$43,977 using a valuation model based on the following assumptions: for 400,000 warrants - market value of \$0.05 per share, expected dividend yield of 0%, expected volatility of 69%, risk-free rate of return of 1.53% and a life of 3 years; for 360,000 warrants - market value of \$0.045 per share, expected dividend yield of 0%, expected volatility of 69%, risk-free rate of return of 1.53% and a life of 3 years; and for 4,000,000 warrants - market value of \$0.05 per share, expected dividend yield of 0%, expected volatility of 61%, risk-free rate of return of 1.53% and a life of 3 years.
- (ix) In September 2013, the Company completed non-brokered private placements of 5,000,000 "flow-through" units at a price of \$0.05 per unit for a total consideration of \$250,000. Each unit consisted of one "flow-through" common share and one warrant which entitles the holder to purchase one "flow-through" common share for \$0.10 within 3 years of the date of issue. The warrants were valued at \$64,111 using a valuation model based on the following assumptions: for 400,000 warrants - market value of \$0.05 per share, expected dividend yield of 0%, expected volatility of 68%, risk-free rate of return of 1.72% and a life of 3 years; and for 4,600,000 warrants - market value of \$0.055 per share, expected dividend yield of 0%, expected volatility of 68%, risk-free rate of return of 1.72% and a life of 3 years.
- (x) In June 2013, the Company completed non-brokered private placements of 6,000,000 "flow-through" units at a price of \$0.05 per unit for a total consideration of \$300,000, some of which were subscribed for by related parties (Note 15). Each unit consisted of one "flow-through" common share and one warrant which entitles the holder to purchase one "flow-through" common share for \$0.10 within three years of the date of issue. The warrants were valued at \$58,920 using a valuation model based on the following assumptions: market value of \$0.045 per share, expected dividend yield of 0%, expected volatility of 66%, risk-free rate of return of 1.69% and a life of 3 years.

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11 WARRANTS AND COMPENSATION OPTIONS

Changes in the Company's outstanding common share purchase warrants and compensation options were as follows:

Issued	Three months ended March 31, 2014		Year ended December 31, 2013	
	Warrants	Compensation options	Warrants	Compensation Options
Balance – beginning of period	119,420,000	1,082,000	78,790,940	750,000
Issued as part of private placement of units (Note 10(i)(ii)(iv)(v)(vii)(viii)(ix)(x))	2,900,000	-	45,270,000	-
Issued for finders' compensation (Note 10(i))	-	20,000	-	332,000
Expired	-	-	(4,640,940)	-
Balance – end of period	122,320,000	1,102,000	119,420,000	1,082,000

Outstanding common share purchase warrants and compensation options entitle their holders to subscribe for an equivalent number of common shares.

A summary of the Company's outstanding warrants and compensation options as at March 31, 2014 is presented below:

Number of warrants	Number of compensation options	Exercise price \$	Expiry date
8,750,000	750,000	0.12	June 2014
15,000,000	-	0.10	July 2014
26,400,000	-	0.10	August 2014
6,000,000	-	0.10	June 2016
21,000,000	-	0.15	August 2016
5,000,000	-	0.10	September 2016
4,760,000	-	0.10	October 2016
27,200,000	332,000	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
-	20,000	0.05	March 2017
3,000,000	-	0.12	March 2017
122,320,000	1,102,000	0.11	

12 STOCK OPTION PLAN

The Company maintains a stock option plan (the "Plan") whereby the Board of Directors may from time to time grant to employees, officers, directors and consultants of the Company or any subsidiary thereof options to acquire common shares as may be determined by the Board, provided that the exercise price may not be lower than the market price of the common shares at the time of the grant of the options.

As at March 31, 2014, the Plan provides (i) that the maximum number of common shares that may be reserved for issuance under the Plan shall be equal to 10% of the number of issued and outstanding common shares; and (ii) that the maximum number of common shares which

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may be reserved for issuance to any one optionee pursuant to a share option may not exceed 5% of the common shares outstanding at the time of the grant.

Options vest over an 18-month period: 25% at the date of the grant and 12.5% in each of the following six quarters. Options granted must be exercised over a period no longer than five years after the date of grant, and they are not transferable.

A summary of changes in the Company's stock options outstanding is presented below:

Options

	Three months ended March 31, 2014		Year ended December 31, 2013	
	Number of shares	Average exercise price	Number of shares	Average exercise price
Balance – beginning of period	66,404,500	0.111	57,273,200	0.113
Granted	-	-	12,336,000	0.100
Expired	-	-	(3,204,700)	0.100
Balance – end of period	66,404,500	0.111	66,404,500	0.111

The following table summarizes information about options outstanding and exercisable as a March 31, 2014:

Exercise price	Number of options	Average contractual life (in years)	Outstanding options	Exercisable options
0.100	36,859,500	2.71		33,775,500
0.115	3,500,000	2.23		3,500,000
0.125	24,545,000	1.35		24,545,000
0.140	1,500,000	1.50		1,500,000
0.111	66,404,500	2.13		63,320,500

Total stock-based compensation costs for the three months ended March 31, 2014 amounted to \$46,260 (2013 – \$22,143).

The fair value of the options granted in 2013 was estimated using the Black-Scholes option pricing model based on the following assumptions:

	May 2013
Expected dividend per share	Nil
Expected volatility	104.07%
Risk-free interest rate	1.69%
Life of the options granted	5 years
Weighted average of estimated fair value of each option granted	\$0.030

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13 GENERAL AND ADMINISTRATIVE EXPENSES

The Company's general and administrative expenses consist of the following:

Three months ending March 31	2014	2013
Advertising and promotion	29,741	29,750
Consultants' fees	113,203	180,597
Directors' fees and insurance	25,015	29,895
Filing fees	15,775	9,966
Investor relations fees	6,858	5,873
Professional fees	275,190	380,806
Office overheads	71,768	76,256
Salaries and benefits	171,006	207,190
Travel and accommodation	23,945	9,586
Administrative recovery	(90,331)	(41,460)
	642,170	888,459

14 FINANCE INCOME / (LOSS)

Three months ended March 31	2014	2013
Interest income	15,503	24,168
Net change in FVTPL assets	63,000	(127,900)
Premium on flow-through share issuance	-	58,188
	78,503	(45,544)

15 RELATED PARTY TRANSACTIONS

The Company defines its officers (CEO, CFO and corporate secretary) and directors as Key Management Personnel ("KMP"). During the first quarter of 2014, officers and companies controlled by officers charged consulting fees totalling \$59,201 (\$52,380 in 2013) and salaries and bonuses in the amount of \$69,231 (\$80,769 in 2013) of which \$22,544 remained payable at March 31, 2014 (\$19,915 in 2013). Directors' fees paid in the first quarter totalled \$21,121 (\$23,750 in 2013). KMP received no stock options in the first quarter of 2014 (nil in 2013). In the first quarter of 2014, stock compensation expenses totalled \$25,635 for KMP (\$20,827 in 2013).

Included in the June 2013 private placements were 2,000,000 flow-through units subscribed for by KMP for gross proceeds of \$100,000 (Note 12(x)). Included in the finders' fees paid for the November 2013 private placements is \$500 paid to KMP (Note 12(viii)).

Debut Diamonds Inc.

The Company shares management, administrative assistance and facilities and other technical personnel with DDI. This is not covered by a written agreement. The costs charged to DDI are equal to the costs incurred by the Company. During the first quarter of 2014, the Company charged DDI for overhead and personnel charges in the amount of \$nil (\$41,460 in 2013). At December 31, 2012, due to adverse market conditions which management perceived were affecting the value of DDI's shares, the Company decided to record a provision against the receivable from DDI in the amount of \$648,805. During 2013, DDI repaid \$91,477 of these loans. At March 31, 2014 and at December 31, 2013, the receivable balance was \$1,310,152. The entire receivable balance is subject to a loan agreement dated January 1, 2013. Under the loan agreement, interest is charged at 5% compounded annually and there is no set repayment date. Due to the uncertainty of collection, this interest has not been

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accrued in these consolidated financial statements. The agreement also contains a conversion provision whereby KWG can convert the amount of the loan outstanding including any accrued but unpaid interest thereon, or any portion thereof, into common shares of the Company at a rate of \$0.05 per common share. This debt is secured by a general security agreement over the assets of DDI.

16 COMMITMENTS AND CONTINGENCIES

- (i) Pursuant to flow-through financing agreements closed during February and March 2014, the Company must incur \$114,000 in exploration expenses by December 31, 2015.

The Company has incurred approximately \$13 million of expenditures which have been passed through to shareholders as eligible expenditures for their purposes under flow-through agreements. As noted in Note 2 to these financial statements, there is a risk that some or all of these expenditures may be disallowed. No provision has been made for potential cost to the Company, if any, of such disallowance. To the extent that the expenditures are disallowed as deductions to shareholders, additional tax attributes would be created for the Company which would be considered for recognition at that time. Additional costs may be incurred. The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholders as a result of the Company not meeting its expenditure commitments.

Certain tax-related conditions may exist at the date the financial statements are issued which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company does not record any liability for such future events until such time as the events are probable and reasonably determinable.

- (ii) The Company has signed an operating lease for its premises located at 141 Adelaide St. W., Suite 420, Toronto, On, M5H 3L5. The lease is a net lease with a term of five years commencing on August 1, 2012. Monthly minimum rental payments are \$5,326 for October 1, 2012 through July 31, 2014 and \$5,568 for August 1, 2014 through July 31, 2017. There were no payments due for August and September 2012. The Company is also responsible for its proportionate share of the operating costs in relation to this space. In addition to waiving the first two months' rental payments, the landlord reimbursed the Company for the amount of \$28,002 in relation to leasehold improvements and moving costs. The total amount of these inducements will be amortized over the life of the lease (Note 9).
- (iii) In accordance with the agreement with AGORA, the Company has committed to issue shares with a market value of \$14,125 on or about April 15, 2014 and shares with a market value of \$7,063 on or about July 15 and October 15, 2014 (Note 10(vi)).
- (iv) The Company's exploration and evaluation activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

KWG RESOURCES INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited) (in Canadian dollars)

17 FINANCIAL INSTRUMENTS AND FAIR VALUES

The Company has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; and market risk.

A complete description of the Company's financial risk management is included in Note 23 to the 2013 audited consolidated financial statements. This note updates information about the Company's exposure to each of the above risks where there have been material or noteworthy changes. Further quantitative disclosures are included throughout these financial statements.

18 DETERMINATION OF FAIR VALUES

There have been no changes in how the Company determines fair value for both financial and non-financial assets and liabilities from the descriptions included in Note 24 to the Company's 2013 audited consolidated financial statements. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

19 CAPITAL MANAGEMENT DISCLOSURES

The Company's objective when managing capital is to safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds to support continued project development and corporate activities. Capital is defined by the Company as the aggregate of its shareholders' equity. Shareholders' equity totalled \$43,028,661 at March 31, 2014 and \$42,909,174 at December 31, 2013.

The Company manages its capital structure and makes adjustments to it based on the level of funds available to the Company to manage its operations. In order to maintain or adjust the capital structure, the Company expects that it will be able to obtain equity, long-term debt, equipment-based financing and/or project-based financing sufficient to maintain and expand its operations. There are no assurances that these initiatives will be successful. In order to achieve these objectives, the Company invests its unexpended cash in highly-liquid, rated financial instruments. There were no changes in the Company's approach to capital management during the first quarter of 2014. The Company is not subject to externally imposed capital requirements.

20 SEGMENTED INFORMATION

Operating segments are reported in a manner consistent with the way in which the Company's executive officers review business performance on a quarterly basis. The Company's operations comprise a single reporting operating segment engaged in mineral exploration in Canada. As the operations comprise a single reporting segment, amounts disclosed in the consolidated financial statements also represent segment amounts.

21 SUBSEQUENT EVENTS

- (i) In April 2014, the Company issued 2,200,000 "flow-through" units at \$0.10 each for gross proceeds of \$220,000. Each unit consisted of one "flow through" common share and one warrant which entitles the holder to purchase one "flow through" common share for \$0.15 within the 12-month period following the subscription date. Included in this placement were 800,000 flow-through units subscribed for by KMP for gross proceeds of \$80,000
- (ii) On April 8, 2014, the Company granted stock options to its directors, officers, employees and consultants to purchase a total of 8,400,000 shares at a price of \$0.10 each expiring on April 8, 2019.

KWG RESOURCES INC.
Notes to the Condensed Interim Consolidated Financial Statements
(Unaudited) (in Canadian dollars)

(iii) On May 12, 2014, the Company announced that it had signed an agreement to acquire 50% of the ownership rights in two United States provisional patent applications relating to the production of chromium iron alloys directly from chromate ore, and the production of low carbon chromium iron alloys directly from chromite concentrates (the "Chromium IP Transaction"). The Chromium IP Transaction includes the right to use these provisional patent applications as the basis for filing additional patent applications in the United States, Canada and elsewhere worldwide and includes a fifty-percent interest in any of the vendor's associated intellectual property (the "Chromium IP").

The parties' interests in the Chromium IP will be held through a limited partnership (the "LP") established by the vendor and KWG for purposes of completing the Chromium IP Transaction and developing and exploiting the Chromium IP. The limited partners of the LP are a wholly-owned subsidiary of KWG and a corporation beneficially owned by the vendor. The general partner of the LP, which will manage the business of the LP, is another wholly-owned subsidiary of KWG.

The vendor assigned its fifty-percent interest in the Chromium IP to the LP in exchange for 25 million units of KWG (each, a "Unit"), with each Unit comprising one common share of KWG and one common share purchase warrant of KWG exercisable at a price of \$0.10 for 5 years from closing.

KWG has the option to acquire a further 25% interest in the Chromium IP from the vendor (held through the LP) in exchange for the issuance of an additional 12.5 million Units to the vendor at any time within one year (the "First Option"). If the First Option is exercised, KWG will have an additional option to acquire the vendor's remaining 25% interest in the Chromium IP (held through the LP) in exchange for the issuance of a further 12.5 million Units to the vendor at any time within one year after the exercise of the First Option thereby acquiring 100% of the LP.

KWG RESOURCES INC.

(An exploration stage company)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE QUARTER ENDED MARCH 31, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis (the "MD&A") should be read in conjunction with the annual and the interim quarterly financial statements of KWG Resources Inc., ("KWG" or the "Company") all of which are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed through the internet at www.sedar.com.

DATE

This MD&A for the quarter ended March 31, 2014 is dated May 29, 2014.

COMPANY OVERVIEW

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 metalised 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 Company 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 Company also has a 30% interest in the Big Daddy Project.

Through Canada Chrome Corporation, a wholly owned subsidiary, the Company 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.

HIGHLIGHTS

During and subsequent to the end of the quarter ended March 31, 2014:

Corporate

- In February 2014, the Company issued 282,500 common shares to AGORACOM International Enterprises Corp ("AGORA") pursuant to the terms of the service contract for the provision by AGORA of online advertising, marketing and branding services to the Company.
- In February 2014, the Company completed the final tranche of a private placement for flow-through units (each a "Flow-Through Unit"), consisting of one flow-through common share and one warrant which may be exercised to acquire a further flow-through share at \$0.10 per flow-through share. The Company raised a total of \$2,333,500 in 2013 and early 2014 for the issuance of 46,670,000 Flow-Through Units. The proceeds of this final tranche will be used for eligible flow-through exploration expenses and renounced for the 2014 taxation year. The proceeds of the earlier tranches, which closed in July 2013, October 2013, November 2013 and December 2013, were used for eligible flow-through exploration expenses and renounced for the 2013 taxation year.

- In February 2014 the Company issued 10,000,000 common shares to Fancamp Explorations Inc. (Fancamp) as part of the consideration to be paid pursuant to stage one of the option granted by Fancamp to Bold Ventures Inc. (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 option agreement between KWG and Bold. This issuance of shares entitled the Company to continue to maintain the option acquire up to an 80% interest in respect of chromite in the Koper Lake Project and up to a 20% interest in respect of other minerals in the Koper Lake Project.
- In March 2014, the Company completed a private placement of 1,500,000 Flow-Through Units for proceeds of \$75,000, to be used for eligible flow-through exploration expenses and renounced for the 2014 taxation year.

Exploration

- Following assessment of the results from the initial diamond drill program on the Koper Lake Project, a 43-101 resource calculation was published on the property's *Black Horse* chromite deposit where an inferred resource of 46.5 million tonnes at a grade of 38.8% Cr₂O₃ was documented to date (see SEDAR filings by KWG).
- In March 2014, the planned drilling program at the Koper Lake Project commenced in January 2014 was completed. The program met its objective of extending the *Black Horse* chromite deposit to depth. A total of six holes were drilled during the program, three of which were on the *Black Horse* deposit. The core was sampled and submitted for assay. The data from the assays were expected to be added to the inferred resource estimate model.
- In May 2014, KWG announced drilling results from the drill program at the Koper Lake Project. The primary objective of the program was to increase the size of the inferred resources contained in the *Black Horse* chromite deposit. The secondary objective was to test an east-west trending gravity anomaly delineated by a detailed ground gravity survey conducted during the 2013 drilling program. A total of six holes were drilled during the program, three of which were on the *Black Horse* deposit. The core was sampled and submitted for assay. The data from the assays were added to the inferred resource estimate model.

Metallurgical technology acquisition

- The Company is very encouraged with the results of ongoing metallurgical test work to determine the thermodynamics of metalizing the chromite from the *Black Horse* deposit by its reduction with natural gas. A report by *XPS Consulting & Testwork Services - a Glencore Company*, received on April 2, 2014 suggests that overall direct energy costs to process one tonne of concentrate into metallized ferrochrome alloy are less than half those required for conventional technology. The author of the report wrote, "*The combination of cheap natural gas and large quantities of high grade chromite in Northern Ontario have the potential to completely revolutionize the market for chrome units into stainless steel manufacture*".
- On May 12, 2014, KWG announced that it had closed a 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 chromate ore, and the production of low carbon chromium iron alloys directly from chromite concentrates (the Chromium IP Transaction).
- Pursuant to the Chromium IP Transaction, KWG was granted the right to use these provisional patent applications as the basis for filing additional patent applications in the United States, Canada and elsewhere worldwide and a fifty-percent interest in any of the vendor's associated intellectual property (collectively, the Chromium IP).
- As part of the Chromium IP Transaction:
 - a) the vendor assigned its 50% interest in the Chromium IP to KWG in exchange for 25 million

units of KWG (each, a Unit), with each Unit comprising one common share of KWG and one common share purchase warrant of KWG exercisable at \$0.10 for 5 years from closing;

b) each of KWG and the vendor contributed its respective 50% interest in the Chromium IP to Muketi Metallurgical, L.P. (MMLP), with the result that each of KWG and the vendor hold a 50% partnership interest in MMLP; and

c) KWG was granted the option to acquire a further 25% interest in MMLP from the vendor in exchange for an additional 12.5 million 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 Units at any time within one year after the exercise of the initial option.

Canada Chrome Corporation (“CCC”) (wholly-owned subsidiary)

- CCC has been served with a Notice of Appeal by the subsidiary of Cliffs Natural Resources Inc. (“Cliffs”) whose application to the Mining Commission of Ontario was dismissed on September 10, 2013. The application sought an order for the grant of an easement over CCC’s mining claims in the absence of its consent. The appeal of the decision dismissing the application is scheduled to be heard by the Divisional Court of Ontario in mid-June of 2014. An application by Ontario’s Attorney General for leave to intervene in the hearing of the appeal was granted on April 28, 2014 and is presently being appealed by CCC.
- CCC had made an application for the judicial review of a decision of the Minister of Natural Resources (“MNR”) to accept an application from a subsidiary of Cliffs for 150 permits, which includes the aggregates within the CCC claims. The application sought an order in the nature of certiorari setting aside the decision of MNR dated April 15, 2013 in which MNR authorized the respondent, Cliffs Chromite Ontario Inc., to undertake geotechnical and aggregate testing in respect of lands covered by mining claims held by CCC. The application was withdrawn upon receipt of adequate undertakings from MNR. CCC continues to pursue disclosure of all prior dealings with its claims under the Freedom of Information Act and will take all necessary actions to maintain the integrity of its interests as that information is released to it and can be assessed.

OUTLOOK

The management of KWG continue to be encouraged in its view that the Company’s assets will prove to be catalytic in the development of mining in the *Ring of Fire*. It is our opinion that the chromite deposits of the *Ring of Fire* may have a combined life equal to an amortization period appropriate for the cost of an infrastructure asset such as a railroad; perhaps 100 years or more. When that term is combined with the present historic low cost of the capital required to construct such an undertaking, the unit cost for projected usage can be quite modest when compared to all available alternatives. The test work done to date on the conversion of the Black Horse chromite into a metallised chrome and iron alloy using natural gas, encourages us to posit that an opportunity to create a substantial and globally significant export industry in this key industrial commodity appears achievable. Existing transportation networks can be extended in such a way as to insure the environmental and economic sustainability of such an enterprise for the multi-generational production capacity of the resource that is now indicated.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

As at and for the years ended December 31	2013	2012	2011
Summary Operating Results Data	\$	\$	\$
General and administrative expenses	2,531,450	2,710,145	2,796,335
Stock-based compensation	262,910	497,623	1,157,799
Gain on disposal of exploration and evaluation projects	-	-	14,259,115
Profit (loss) from operations	(2,827,221)	(3,268,490)	10,584,457
Net income (loss) for the year	(2,927,949)	(4,657,602)	12,006,675
Earnings (loss) per share	(0.00)	(0.01)	0.02
Summary Balance Sheet Data	\$	\$	\$
Cash and cash equivalents	6,172,478	11,066,004	16,030,551
Receivables	1,516,970	1,286,148	1,072,320
Marketable securities	147,739	571,040	3,074,298
Total current assets	7,875,388	12,964,479	20,208,227
Exploration and evaluation projects	35,252,177	31,117,244	28,442,269
Total assets	43,179,196	44,164,421	48,716,333
Trade and other payables	270,022	810,461	1,112,928
Total equity	42,909,174	43,350,755	46,506,821

OVERALL PERFORMANCE – FINANCIAL

During the first quarter of 2014, the Company continued to utilize its cash reserves to cover administrative and general expenses and property payments as the Company does not currently have any significant revenue sources. KWG's exploration activities were funded from the proceeds of private placements which totalled \$145,000 and also from existing cash reserves. The Company's other cash inflows consisted of interest income in the amount of \$15,500. Regular expenditures for the quarter were roughly \$57,000 higher than originally projected mainly due to the cost recoveries related to the Koper Lake Project.

The Company has maintained its focus on its strategic planning to develop what it expects will become a major North American ferro-chrome supplier deposit as well to explore and build a route to transport materials to and product from the mine site. The value of the deposit has been determined by the preliminary economic assessment and exploration activities on the Koper Lake Project and the Big Daddy project have progressed steadily.

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

The reporting currency of the Company is Canadian dollars and the financial data is reported in this currency.

LIQUIDITY & CAPITAL RESOURCES

The main source of financing for KWG is the issuance of equity shares and sale of non-core assets. Each of KWG's projects has demonstrated sufficient evidence of geological merit to warrant additional exploration. However, it is not presently possible to estimate the cost of further exploration programs, which may or may not bring individual properties to a subsequent stage of development, since they are all exploration projects and their development depends on the results of exploration. On March 31, 2014, the Company had working capital of \$5,748,994 (\$7,605,366 as at December 31, 2013) including \$4,191,398 in cash and cash equivalents (\$6,172,478 as at December 31, 2013). The reduction in cash reserves during the first quarter of 2014 includes expenditures of \$1,680,000 to fund the Koper Lake Project joint venture's exploration activities. The Company forecasts operating

expenditures of approximately \$2,400,000 and \$2,985,000 for exploration activities for fiscal 2014. The latter includes flow-through expenditure requirements of \$1,815,000. The Company's current cash reserves which result from the 2011 sale of its net smelter royalty ("NSR") interests and the issuance of private placement shares over the past two years are sufficient to provide for its working capital requirements and existing commitments in the short term. Also, see note 20 to the 2013 audited consolidated financial statements for commentary on the Company's commitments and contingencies. Management will continue to pursue all financing alternatives available to fund its future obligations and exploration activities. There is no assurance that the Company will be successful in these actions.

The Company invests its unexpended cash in highly-liquid, rated financial instruments.

RESULTS FROM OPERATIONS

During the quarter ended March 31, 2014 the Company recorded a loss of \$616,631 (\$0.00 per share) compared to a net loss of \$960,818 (\$0.00 per share) for the same period in 2013. The period results are explained as follows:

Income

Finance and interest income amounted to a net gain of \$78,503 for the first quarter of 2014 compared to a loss of \$45,544 for the same period in 2013. This includes the amortization of a deferred liability in the amount of \$nil (\$58,188 in 2013) for the flow-through premium received on the issuance of shares during 2012. Also included is a non-cash gain on the revaluation of warrant investments in the amount of \$63,000 (loss of \$127,900 in 2013). Interest income for the quarter was \$15,503 compared to \$24,168 in 2013 which resulted from having higher cash reserves in 2013. These cash reserves relate to the sale of the NSR during the latter half of 2011. Other income totaled \$781 in both 2014 and 2013.

Expenses

Administrative Expenses

Administrative expenses for the first quarter of 2014 amounted to \$642,170 compared with \$888,459 for the same period in 2013. The following discusses variances in the main components of the administrative expenses:

- Decreased salaries of \$36,000 due to having a smaller staff complement. Decreased directors' fees of \$5,000 due to a decreased number of meetings in the first quarter of 2014 compared with the same period in 2013;
- Professional and consultants' fees decreased by \$173,000 in the first quarter of 2014 compared to the same period in 2013 due to higher legal fees incurred in 2013 to contest the request for an easement by Cliffs. These legal fees are continuing in 2014, however at a lower amount;
- Investor relations fees were higher by \$1,000 in the first quarter of 2014 compared to the same period in 2013;
- An increase of \$49,000 in the amount the Company recovered of its expenses as a result of providing services to the Koper Lake Project; and
- Corporate expenses increased by \$16,000 in the first quarter of 2014 compared to the same period in 2013 which included an increase in filing fees of \$6,000 due to share issuances, decreased overheads of \$4,000, and increased travel and promotional costs of \$14,000 as the Company strived to increase the public's awareness of its operations.

Stock Compensation Costs

Stock compensation costs constitute a non-cash expense. During the first quarter of 2014, stock

compensation costs totalled \$46,260 compared with \$22,143 for the same quarter in 2013. The expense was higher in 2014 as a result of the issuance of new stock options in the second quarter of 2013. The calculated cost of these stock options is recognized as an expense over the vesting period. The Company issued 12,336,000 stock options in the second quarter of 2013, none in the first quarter of 2014 and there none have expired so far this year (none in 2013).

SUMMARY OF QUARTERLY RESULTS

(Thousands of dollars except amount per share)

Quarter ending	Total revenue	Net profit (loss)	Income (loss) per share (basic and diluted)
March 31, 2014	-	(617)	<(0.01)
December 31, 2013	-	(908)	<(0.01)
September 30, 2013	-	(463)	<(0.01)
June 30, 2013	-	(596)	<(0.01)
March 31, 2013	-	(961)	<(0.01)
December 31, 2012	-	(2,719)	<(0.01)
September 30, 2012	-	660	<0.01
June 30, 2012	-	(1,020)	<(0.01)

The loss in the fourth quarter of 2012 was mainly due to a decline in fair value of the Company's marketable securities and the write-down of the receivable from DDI. Profit for the third quarter of 2012 is attributable to an increase in the fair value of the Company's warrant liability. Losses for the two quarters prior to that as well as for all four quarters of 2013 and the first quarter of 2014 are attributable mainly to adjustments resulting from the period end revaluation of the warrant investments, ongoing general and administrative expenses and stock compensation costs.

COMMITMENTS AND CONTINGENCIES

- (i) Pursuant to flow-through financing agreements closed during February and March 2014, the Company must incur \$114,000 in exploration expenses by December 31, 2015.

The Company has incurred approximately \$13 million of expenditures which have been passed through to shareholders as eligible expenditures for their purposes under flow-through agreements. As noted in Note 3 to the annual consolidated financial statements, there is a risk that some or all of these expenditures may be disallowed. No provision has been made for potential cost to the Company, if any, of such disallowance. To the extent that the expenditures are disallowed as deductions to shareholders, additional tax attributes would be created for the Company which would be considered for recognition at that time. Additional costs may be incurred. The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholders as a result of the Company not meeting its expenditure commitments.

Certain conditions may exist at the date the financial statements are issued which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company does not record any liability for such future events until such time as the events are probable and reasonably determinable.

- (ii) The Company has signed an operating lease for its premises located at 141 Adelaide St. W., Suite 420, Toronto, On, M5H 3L5. The lease is a net lease with a term of five years commencing on August 1, 2012. Monthly minimum rental payments are \$5,326 for October 1, 2012 through July 31, 2014 and \$5,568 for August 1, 2014 through July 31, 2017. There were no payments due for August and September 2012. The Company is also responsible for its proportionate share of the operating costs in relation to this space. In addition to waiving the first

two months' rental payments, the landlord reimbursed the Company for the amount of \$28,002 in relation to leasehold improvements and moving costs. The total amount of these inducements will be amortized over the life of the lease.

- (iii) In accordance with the agreement with AGORA, the Company has committed to issue shares with a market value of \$14,125 on or about April 15, 2014 and shares with a market value of \$7,063 on or about July 15 and October 15, 2014.
- (iv) The Company's exploration and evaluation activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

RELATED PARTY TRANSACTIONS

The Company defines its officers (CEO, CFO and corporate secretary) and directors as Key Management Personnel ("KMP"). During the first quarter of 2014, officers and companies controlled by officers charged consulting fees totalling \$59,201 (\$52,380 in 2013) and salaries and bonuses in the amount of \$69,231 (\$80,769 in 2013) of which \$22,544 remained payable at March 31, 2014 (\$19,915 in 2013). Directors' fees paid in the first quarter totalled \$21,121 (\$23,750 in 2013). KMP received no stock options in the first quarter of 2014 (nil in 2013). In the first quarter of 2014, stock compensation expenses totalled \$25,635 for KMP (\$20,827 in 2013).

Included in the June 2013 private placements were 2,000,000 flow-through units subscribed for by KMP for gross proceeds of \$100,000. Included in the finders' fees paid for the November 2013 private placements is \$500 paid to KMP.

Debut Diamonds Inc.

The Company shares management, administrative assistance and facilities and other technical personnel with DDI. This is not covered by a written agreement. The costs charged to DDI are equal to the costs incurred by the Company. During the first quarter of 2014, the Company charged DDI for overhead and personnel charges in the amount of \$nil (\$41,460 in 2013). At December 31, 2012, due to adverse market conditions which management perceived were affecting the value of DDI's shares, the Company decided to record a provision against the receivable from DDI in the amount of \$648,805. During 2013, DDI repaid \$91,477 of these loans. At March 31, 2014 and at December 31, 2013, the receivable balance was \$1,310,152. The entire receivable balance is subject to a loan agreement dated January 1, 2013. Under the loan agreement, interest is charged at 5% compounded annually and there is no set repayment date. Due to the uncertainty of collection, this interest has not been accrued in these consolidated financial statements. The agreement also contains a conversion provision whereby KWG can convert the amount of the loan outstanding including any accrued but unpaid interest thereon, or any portion thereof, into common shares of the Company at a rate of \$0.05 per common share. This debt is secured by a general security agreement over the assets of DDI.

CHANGES IN ACCOUNTING POLICIES

The consolidated financial statements for the years ended December 31, 2013 and 2012 have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB").

See Note 3 to the 2013 annual consolidated financial statements for further information on accounting policies adopted by the Company during the year.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 3 to the 2013 annual consolidated financial statements for further information on recent accounting pronouncements that may have a future impact on the Company.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

It is reasonably possible that, on the basis of existing knowledge, outcomes in the next financial year that are different from the assumptions used could require a material adjustment to the carrying amount of the asset or liability affected.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Management has made a number of significant estimates and valuation assumptions based on present conditions and management's planned course of action as well as assumptions about future business and economic conditions which include, but are not limited to, the following:

Capitalization of exploration and evaluation costs

Management has determined that exploration and evaluation costs incurred during the year have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. See Note 9 for details of capitalized exploration and evaluation costs.

Impairment of exploration and evaluation projects

While assessing whether any indications of impairment exist for exploration and evaluation projects, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation projects. Internal sources of information include the manner in which exploration and evaluation projects are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's exploration and evaluation projects, costs to sell the properties and the appropriate discount rate. 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 Company's exploration and evaluation projects.

Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and

circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

FINANCIAL INSTRUMENTS

The following presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative and qualitative disclosures are included throughout the 2013 audited consolidated financial statements and are also contained in the Company's annual information form which is available on www.SEDAR.com.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board fulfils its responsibility through the Audit Committee, which is responsible for overseeing the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management practices are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company has an established code of conduct which sets out the control environment within which framework all directors' and employees' roles and obligations are outlined.

The Company's risk and control framework is facilitated by the small-sized and hands-on executive team.

Credit Risk

Credit risk is the risk of an unexpected financial loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and cash equivalents, receivables and marketable securities.

Cash and Cash Equivalents

The Company's cash and cash equivalents are held through large Canadian financial institutions. The Company has a corporate policy of investing its available cash in Canadian government instruments and certificates of deposit or other direct obligations of major Canadian banks, unless otherwise specifically approved by the Board. The Company does not own asset-backed commercial paper.

Receivables

The Company's receivables consist primarily of trade receivables and amounts due from related and unrelated parties.

When necessary, the Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of receivables.

Furthermore, when the Company engages in corporate transactions, it seeks to manage its exposure by ensuring that appropriate recourse is included in such agreements upon the counterparty's failure to meet contractual obligations.

Marketable Securities

The Company invests only in securities of companies listed on public stock exchanges and warrants of those companies. There is no active market for these warrants. Such strategic investments are approved by the Board of Directors of the Company. Management actively monitors changes in the markets and management does not expect any counterparty to fail to meet its obligations. The Company's investments are generally in the junior natural resources sector and these companies are subject to similar areas of risk as the Company itself.

Guarantees

The Company's policy is to provide financial guarantees only to wholly-owned subsidiaries or under business arrangements where the benefit of the guarantee will accrue to the Company. At both March 31, 2014 and December 31, 2013 had \$nil in guarantees outstanding.

The Company's maximum exposure to credit risk at the reporting date was:

	March 31, 2014	December 31, 2013
Carrying amount	\$	\$
Cash and cash equivalents	4,191,398	6,172,478
Receivables	1,764,589	850,437
Financial assets classified as AFS	173,439	119,739
Financial assets classified at FVTPL	91,000	28,000
	6,220,426	7,170,654

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking undue damage to the Company's reputation.

The Company's objective is to maintain sufficient capital in order to meet short-term business requirements after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents and marketable securities. This is accomplished by budgets and forecasts which are updated on a periodic basis to understand future cash needs and sources. Spending plans are adjusted accordingly when possible to provide for liquidity.

The Company manages its liquidity risk through the mechanisms described above and as described in Capital Management Disclosures. The Company has historically relied on issuances of shares to develop projects and to finance day-to-day operations and may do so again in the future.

The Company has no significant long-term liabilities. All other contractually obligated cash flows are payable within the next fiscal year.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

Foreign Currency Risk

The Company is exposed to foreign currency risk on purchases and other payables that are denominated in a currency other than the functional currency of the Company; the Canadian dollar. The currencies in which these transactions are denominated, when they occur, are the United States dollars (US\$). The Company does not actively hedge its foreign currency exposure. A 10% strengthening or weakening of the Canadian dollar would not have a material impact on the Company's equity or results of operations.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash equivalents earn interest at variable short-term rates. The estimated effect of a 0.50% change in interest rates would not have a material effect on the Company's results of operations. None of the Company's other financial instruments are interest-bearing. Consequently, the Company is not exposed to any significant interest rate risk which could be caused by a sudden change in market interest rates.

Other Market Price Risk

The Company's marketable securities and strategic investments are subject to equity price risk. The values of these investments will fluctuate as a result of changes in market prices, the price of metals or other factors affecting the value of the investments.

Commodity price risk is the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. Historically, such prices have fluctuated and are affected by numerous factors outside of the Company's control, including, but not limited to: industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities and other factors such as significant mine closures. The Company does not have any hedging or other commodity-based risks respecting its operations. The value of the Company's strategic investments is also related to the price of, and outlook for, base and precious metals and other minerals.

Other Business Risks

KWG is in the exploration stage and is subject to the risks and challenges similar to other companies in a comparable stage. Other than the risks relating to reliance on financing previously discussed, as well as those discussed elsewhere in this MD&A, KWG's risks include, but are not limited to, limited operating history, speculative nature of mineral exploration and development activities, operating hazards and risks, mining risks and insurance, no mineral reserves, environmental and other regulatory requirements, competition, stage of development, fluctuations in commodity prices, conflicts of interest, reliance on key individuals and no key man insurance.

Limited Operating History - An investment in KWG should be considered highly speculative due to the nature of KWG's business. KWG has no history of earnings, it has not paid any dividends and it is unlikely to enjoy earnings or be paying dividends in the immediate or foreseeable future.

Speculative Nature of Mineral Exploration and Development Activities - Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by KWG may be affected by numerous factors which are beyond the control of KWG and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection, the combination of which factors may result in KWG not receiving an adequate return of investment capital.

Substantial expenditures are required to establish mineral reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities and grades to justify commercial operations or that the funds required for development can be obtained on a timely basis. Estimates of mineral reserves, mineral deposits and production costs can also be affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of ore ultimately mined may differ from that indicated by drilling results. Short-term factors relating to reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on mining operations and on the results of operations. Material changes in mineral reserves, grades, stripping ratios or recovery rates may affect the economic viability of any project.

KWG's mineral properties are in the exploration stage only and are without known bodies of mineral reserves. The exploration programs proposed by KWG are exploratory searches for commercial ore bodies only. Development of any of KWG's mineral properties will only follow upon obtaining satisfactory exploration results.

Few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish mineral reserves, develop metallurgical processes and construct mining and processing facilities at a particular site. There is no assurance that KWG's mineral exploration activities will result in any discoveries of commercial bodies of ore. Also, no assurance can be given that any or all of KWG's properties will not be subject to prior unregistered agreements or interests or undetected claims which could be materially adverse to KWG.

No Mineral Reserves - All of the KWG properties are considered to be in the exploration stage only and do not contain a known body of commercial ore. Mineral reserves are estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Reserve estimates for properties that have not yet commenced production may require revision based on actual production experience. Market price fluctuations of metals, as well as increased production costs or reduced recovery rates, may render mineral reserves containing relatively lower grades of mineralization uneconomic and may ultimately result in a restatement of reserves. Moreover, short-term operating factors relating to the mineral reserves, such as the need for orderly development of the ore bodies and the processing of new or different ore grades, may cause a mining operation to be unprofitable in any particular accounting period. While KWG does have mineral resources, such resources are not mineral reserves and do not have demonstrated economic viability.

Conflicts of Interest - Certain of the Directors and Officers of KWG are engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies and, as a result of these and other activities, such Directors and Officers of KWG may become subject to conflicts of interest. Canadian corporate laws provide that in the event that a Director has an interest in a contract or proposed contract or agreement, the Director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under those laws. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the applicable Canadian corporate laws.

Operating Hazards and Risks - Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. KWG's operations will be subject to all the hazards and risks normally incidental to exploration, development and production of metals, such as unusual or unexpected formations, cave-ins or pollution, all of which could result in work stoppages, damage to property and possible environmental damage.

Mining Risks and Insurance - The business of mining for gold and other metals is generally subject to a number of risks and hazards including environmental hazards, industrial accidents, labour disputes, unusual or unexpected geological conditions, pressures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, blizzards and earthquakes. No assurance can be given that such insurance will continue to be available or that it will be available at economically feasible premiums. Mining operations will be subject to risks normally encountered in the mining business.

Environmental and Other Regulatory Requirements - KWG's activities are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving which means stricter standards and enforcement, fines and penalties for non-compliance may become more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and Directors, Officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

The exploration operations of KWG and development and commencement of production on its properties require permits from various federal and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters.

Companies engaged in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. KWG believes it is in substantial compliance with all material laws and regulations, which currently apply to its activities. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Competition - Significant and increasing competition exists for the limited number of mineral acquisition opportunities available. As a result of this competition, some of which is with large established mining companies with substantial capabilities and greater financial and technical resources than KWG, KWG may be unable to acquire additional attractive mineral properties on terms it considers acceptable. Accordingly, there can be no assurance that KWG's exploration and acquisition programs will yield any reserves or result in any commercial mining operation.

Stage of Development - KWG is in the business of exploring for, with the ultimate goal of producing, precious and base metals from its mineral exploration properties. None of the KWG properties has commenced commercial production and KWG has no history of earnings or cash flow from its operations. As a result of the foregoing, there can be no assurance that KWG will be able to develop any of its properties profitably or that its activities will generate positive cash flow. KWG has not paid any dividends and it is unlikely to enjoy earnings or pay dividends in the immediate or foreseeable future. KWG has not sufficiently diversified such that it can mitigate the risks associated with its planned activities. KWG has limited cash and other assets.

A prospective investor in KWG must be prepared to rely solely upon the ability, expertise, judgment, discretion, integrity and good faith of KWG's management in all aspects of the development and implementation of KWG's business activities.

Fluctuations in Commodity Prices - The profitability, if any, in any mining operation in which KWG has an interest is significantly affected by changes in the market price of precious and base metals which fluctuate on a daily basis and are affected by numerous factors beyond KWG's control.

Reliance on Key Individuals - KWG's success depends to a certain degree upon certain key members of management. These individuals are a significant factor in KWG's growth and success. The loss of the service of certain members of management and certain key employees could have a material adverse effect on KWG.

No Key Man Insurance - KWG does not have and does not anticipate having key man insurance in place in respect of any of its senior officers or personnel.

OTHER

National Instrument 51-102 - Section 5.3

Below is a detailed analysis of exploration expenditures incurred for the three months ended March 31, 2014 with comparative figures for the year ended December 31, 2013 on a property by property basis:

Spider No. 3/McFaulds Lake

<i>Cost and deferred exploration expenses</i>	<i>Three months ended March 31, 2014</i>	<i>Year ended December 31, 2013</i>
	\$	\$
Balance – Beginning of the period	4,188,377	4,189,695
Exploration expenses		
Geology	-	(1,318)
Balance – End of the period	<u>4,188,377</u>	<u>4,188,377</u>

Big Daddy Project

<i>Cost and deferred exploration expenses</i>	<i>Three months ended March 31, 2014</i>	<i>Year ended December 31, 2013</i>
	\$	\$
Balance – Beginning of the period	10,238,203	10,065,364
Exploration expenses		
Studies	-	172,839
Balance – End of the period	<u>10,238,203</u>	<u>10,238,203</u>

Railway Corridor

Cost and deferred exploration expenses	Three months ended March 31, 2014	Year ended December 31, 2013
	\$	\$
Balance – Beginning of the period	16,332,916	16,084,171
Exploration expenses		
Claims staking	-	108,313
Field consultants	88	5,891
Geology	2,843	43,476
Studies	-	91,065
	<u>2,931</u>	<u>248,745</u>
Balance – End of the period	<u>16,335,847</u>	<u>16,332,916</u>

<u>The Temagami Iron Limited Partnership</u> Cost and deferred exploration expenses	Three months ended March 31, 2014	Year ended December 31, 2013
	\$	\$
Balance – Beginning of the period	115,000	100,000
Exploration expenses		
Studies	3,000	-
Acquisition costs	-	15,000
Balance – End of the period	<u>118,000</u>	<u>115,000</u>

<u>CME Project</u> Cost and deferred exploration expenses	Three months ended March 31, 2014	Year ended December 31, 2013
	\$	\$
Balance – Beginning of the period	-	500,000
Exploration expenses		
Survey	-	12,000
Reimbursement of costs	-	(500,000)
Written off	-	(12,000)
Balance – End of the period	<u>-</u>	<u>-</u>

<u>Koper Lake Project</u> Cost and deferred exploration expenses	Three months ended March 31, 2014	Year ended December 31, 2013
	\$	\$
Balance – Beginning of the period	4,199,667	-
Exploration expenses		
Drilling	1,404,691	3,636,387
Studies	72,696	263,280
	<u>1,477,387</u>	<u>3,899,667</u>
Acquisition costs	500,000	300,000
Balance – End of the period	<u>6,177,054</u>	<u>4,199,667</u>

All Projects Combined

Cost and deferred exploration expenses	Three months ended March 31, 2014	Year ended December 31, 2013
	\$	\$
Balance – Beginning of the period	35,252,117	31,117,244
Acquisition costs	500,000	315,000
Exploration expenses		
Claims staking	-	108,313
Drilling	1,404,691	3,636,387
Field consultants	88	5,891
Geology	2,843	42,098
Studies	75,696	527,184
Survey	-	12,000
	<u>1,483,318</u>	<u>4,331,873</u>
Reimbursement of costs	-	(500,000)
Write downs taken in the period	-	(12,000)
Balance – End of the period	<u>37,235,435</u>	<u>35,252,117</u>

The following is a detailed break-down of administrative expenses incurred for the three months ended March 31, 2014 with comparative figures for the same period in 2013.

	2014	2013
	\$	\$
Advertising & promotion	29,741	29,750
Consultant's fees	113,203	180,597
Directors fees & insurance	25,015	29,895
Filing fees	15,775	9,966
Investor relations fees	6,858	5,873
Professional fees	275,190	380,806
Office overheads	71,768	76,256
Salaries and benefits	171,006	207,190
Travel & accommodation	23,945	9,586
Administrative recovery	(90,331)	(41,460)
Total administrative expenses	<u>642,170</u>	<u>888,459</u>

Disclosure of Outstanding Share Data (as at May 29, 2014)

Common shares outstanding: 777,512,273
Warrants and compensation options outstanding: 150,622,000

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

Number of warrants	Number of compensation options	Exercise price \$	Expiry date
8,750,000	750,000	0.12	June 2014
15,000,000	-	0.10	July 2014
26,400,000	-	0.10	August 2014
6,000,000	-	0.10	June 2016
21,000,000	-	0.15	August 2016
5,000,000	-	0.10	September 2016
4,760,000	-	0.10	October 2016
27,200,000	-	0.10	November 2016
-	332,000	0.05	November 2016
2,310,000	-	0.10	December 2016
200,000	-	0.10	January 2017
1,200,000	-	0.10	February 2017
1,500,000	-	0.10	March 2017
3,000,000	-	0.12	March 2017
-	20,000	0.05	March 2017
2,200,000	-	0.15	April 2017
25,000,000	-	0.10	May 2019

Options outstanding: 74,804,500 - average exercise price of \$0.11

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

Number of options	Exercise price \$	Expiry date
5,623,500	0.10	October 2014
24,545,000	0.125	May 2015
1,500,000	0.14	June 2015
11,000,000	0.10	December 2015
3,500,000	0.115	March 2016
800,000	0.10	Nov 2016
7,100,000	0.10	Mar 2017
12,336,000	0.10	May 2018
8,400,000	0.10	April 2019

FORWARD LOOKING INFORMATION

This MD&A contains or refers to forward-looking information. All information, other than information regarding historical facts that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future is forward-looking information. Such forward-looking information includes, without limitation: the economic potential of the Company's

Projects; the proposed construction of a rail line; the continued maintenance, exploration and development of the Company's properties and the costs related thereto, as well as the Company's expectation of periodically requiring additional funds therefor; exploration, development and operational plans, objectives and budgets; the expected strategic importance and value of the Company's mineral property interests inside and outside of its projects, including expectations regarding the Company's participation in the development of the McFaulds Lake properties; expectations regarding the consultation, assessment and construction of a railroad, including the costs and timing associated therewith; mineral resource estimates; potential mineral resources; plans with respect to the use of private placement proceeds; estimates relating to critical accounting policies; the Company's expectations with respect to pursuing new opportunities and acquisitions and its future growth; estimated operating expenses; and the Company's ability to raise new funding.

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

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

ADDITIONAL INFORMATION

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