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 17 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 17 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

02-02	Common shares	Exercise of warrants	3,000,000	0.10	300,000	property	N/A	N/A

(b) summary of options granted during the period,

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
13-03-2012	600,000	Douglas M. Flett, director		0.10	13-03-2017	0.08
13-03-2012	1,600,000	René Galipeau, director		0.10	13-03-2017	0.08
13-03-2012	3,100,000	Thomas Pladsen, director		0.10	13-03-2017	0.08
13-03-2012	600,000	Bruce Reid, director		0.10	13-03-2017	0.08
13-03-2012	600,000	Frank C. Smeenk, director		0.10	13-03-2017	0.08
13-03-2012	600,000	Cynthia Thomas, director		0.10	13-03-2017	0.08

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,- **673,891,941 common shares – recorded value of $21,502,275**

(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 13 and 14 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.

Rene Galipeau, Chairman and director
Frank C. Smeenk, Director and President and CEO
Thomas E. Masters, CFO
Luce L. Saint-Pierre, Secretary
Bruce Reid, Director
Douglas Flett, Director
Cynthia Thomas, Director
Thomas Pladsen, Director

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 May 30, 2012.

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

Signature

Corporate Secretary
Official Capacity

Issuer Details Name of Issuer KWG Resources	For Quarter Ended March 31	Date of Report YY/MM/D 2012/05/30
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.

Condensed Interim Consolidated Financial Statements

Three-month periods ended March 31, 2012 and 2011

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.

RENÉ GALIPEAU, Director

THOMAS E. MASTERS, Chief Financial Officer

Montreal, Quebec
May 29, 2012

KWG RESOURCES INC.
(An exploration stage company)
Condensed Interim Consolidated Balance Sheets
(unaudited)

(in Canadian dollars)	Notes	As at March 31, 2012	As at December 31, 2011
ASSETS			
Current assets			
Cash and cash equivalents	4	13,539,716	16,030,551
Receivables	5	1,155,576	1,072,320
Marketable securities	6	1,649,681	3,074,298
Prepaid expenses		26,094	31,058
Total current assets		**16,371,067**	**20,208,227**
Non-current assets			
Property and equipment	7	67,404	65,837
Mineral property interests	8	30,069,885	28,442,269
Total non-current assets		**30,137,289**	**28,508,106**
Total assets		**46,508,356**	**48,716,333**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	9	420,850	1,112,928
Total current liabilities		**420,850**	**1,112,928**
Non-current liabilities			
Warrant liability	10	698,801	1,096,584
Total non-current liabilities		**698,801**	**1,096,584**
Total liabilities		**1,119,651**	**2,209,512**
Equity attributable to the owners of the parent company			
Share capital	12	21,502,275	21,308,113
Warrants	13	6,282,865	7,431,617
Contributed surplus		8,719,219	7,091,101
Accumulated other comprehensive income		70,715	283,674
Retained earnings		8,813,631	10,392,316
Total equity		**45,388,705**	**46,506,821**
Total liabilities and equity		**46,508,356**	**48,716,333**

Nature of operations and going concern (Note 1)
Commitments (Note 18)
Subsequent events (Note 23)

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

Approved by the Board of Directors

René Galipeau
Director

Frank Smeenk
Director

KWG RESOURCES INC.
(An exploration stage company)
Condensed Interim Consolidated Statements of Operations and Statements of Comprehensive Loss
(unaudited)

(in Canadian dollars)	Notes	Three-month periods ended March 31 2012	2011
General and administrative	15	(652,494)	(400,475)
Amortization of property and equipment	7	(5,274)	(6,861)
Stock compensation costs	14	(303,128)	(419,825)
Gain (loss) on foreign exchange		(792)	2,072
Operating loss		**(961,688)**	**(825,089)**
Other income (expenses)			
Finance income (expense)	16	(1,015,561)	10,670
Other income		781	781
Gain (loss) on revaluation of warrant liability	10	397,783	(221,462)
		(616,997)	**(210,011)**
Loss from continuing operations		**(1,578,685)**	**(1,035,100)**
Loss from discontinued operations	2	**-**	**(4,836)**
Net loss for the period		**(1,578,685)**	**(1,039,936)**
Net loss attributable to non-controlling interest	11	**-**	**154**
Net loss attributable to equity holders of KWG Resources Inc.		**(1,578,685)**	**(1,039,782)**
Loss per share (basic and diluted)		**(0.00)**	**(0.00)**
Weighted average number of outstanding shares		**672,142,018**	**631,203,163**

Condensed Interim Consolidated Statements of Comprehensive Loss

(in Canadian dollars)	Notes	Three-month periods ended March 31 2012	2011
Net loss for the period		(1,578,685)	(1,039,936)
Other comprehensive Income (“OCI”)			
Net change in fair value of available for sale (“AFS”) assets	6	(212,959)	51,784
Total comprehensive loss for the period		**(1,791,644)**	**(988,152)**
Portion attributable to non-controlling interest	11	-	154
Total comprehensive loss attributable to equity holders of KWG Resources Inc.		**(1,791,644)**	**(987,998)**

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

KWG RESOURCES INC.
(An exploration stage company)
Condensed Interim Consolidated Statements of Changes in Equity (unaudited)

(in Canadian dollars)	Notes	Share capital	Warrants	Contributed Surplus	Accumulated Other Comprehesive Income	Retained earnings (Deficit)	Non-controlling Interest	Total
Balance, January 1, 2011		**28,685,901**	**5,316,679**	**5,895,585**	**15,238**	**(8,735,274)**	**61,186**	**31,239,315**
Net loss for the period		-	-	-	-	(1,039,782)	(154)	(1,039,936)
Other comprehensive loss for the period		-	-	-	51,784	-	-	(212,959)
Total comprehensive loss for the period		**-**	**-**	**-**	**51,784**	**(1,039,782)**	**(154)**	**(988,152)**
Private placements, net of share issuance costs	12	1,126,024	-	-	-	-	-	1,126,024
Settlement of liability	12	212,766	187,234	-	-	-	-	400,000
Exercise of warrants	12	39,335	(6,485)	(2,850)	-	-	-	30,000
Stock based compensation	14	-	-	419,825	-	-	-	419,825
Balance, March 31, 2011		**30,064,026**	**5,497,428**	**6,312,560**	**67,022**	**(9,775,056)**	**61,032**	**32,227,012**
Net income (loss) for the period		-	-	-	-	13,046,457	(250,089)	12,796,368
Other comprehensive loss for the period		-	-	-	216,652	-	-	216,652
Total comprehensive loss for the period		**-**	**-**	**-**	**216,652**	**13,046,457**	**(250,089)**	**13,013,020**
Private placements, net of share issuance costs	12	1,087,753	336,756	-	-	-	-	1,424,509
Issued for marketable securities	6	1,785,000	1,638,000	-	-	-	-	3,423,000
Expired warrants	13	-	(40,567)	40,567	-	-	-	-
Stock based compensation	14	-	-	737,974	-	-	763,125	1,501,099
Normal course issuer bid	12	(500,000)	-	-	-	-	-	(500,000)
Non-controlling interest in Debut Diamonds Inc.	11	334,614	-	-	-	-	1,906,464	2,241,078
Distribution of Debut Diamonds Inc shares	2	(11,463,280)	-	-	-	7,120,915	(2,480,532)	(6,822,897)
Balance, December 31, 2011		**21,308,113**	**7,431,617**	**7,091,101**	**283,674**	**10,392,316**	**-**	**46,506,821**
Net loss for the period		-	-	-	-	(1,578,685)	-	1,578,685
Other comprehensive loss for the period		-	-	-	(212,959)	-	-	(212,959)
Total comprehensive loss for the period		**-**	**-**	**-**	**(212,959)**	**(1,578,685)**	**-**	**(1,791,644)**
Issued for mineral property interests	8	194,162	176,238	-	-	-	-	370,400
Expired warrants	13	-	(1,324,990)	1,324,990	-	-	-	-
Stock based compensation	14	-	-	303,128	-	-	-	303,128
Balance, March 31, 2012		**21,502,275**	**6,282,865**	**8,719,219**	**70,715**	**8,813,631**	**-**	**45,388,705**

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

KWG RESOURCES INC.
(An exploration stage company)
Condensed Interim Consolidated Statements of Cash Flows
(unaudited)

		Three-month periods ended March 31	
(in Canadian dollars)	**Notes**	**2011**	**2010**
Cash flows from operating activities			
Net loss for the period		(1,578,685)	(1,039,936)
Adjustments for			
Amortization of property and equipment	7	5,274	6,861
Stock based compensation costs	14	303,128	419,825
Fair value changes in financial assets classified as fair value through profit & loss (“FVTPL”)	6	1,235,148	-
Amortization of flow-through premium	16	(175,036)	-
Gain (loss) on revaluation of warrant liability	10	(397,783)	221,462
Net change in non-cash working capital balances		(278,416)	(54,517)
Net cash used by operating activities		**(886,370)**	**(446,305)**
Cash flows from financing activities			
Share capital issued	12	-	1,215,600
Warrants and compensation options issued	13	-	-
Share and warrant issue expenses		(1,600)	(38,661)
Shares repurchased through normal course issuer bid	12	(31,775)	-
Net cash provided by financing activities		**(33,375)**	**1,176,939**
Cash flows from investing activities			
Expenditures on exploration and evaluation projects	8	(1,530,962)	(337,311)
Purchases of property and equipment	7	(6,841)	(2,113)
Proceeds from disposal of property and equipment	7	-	400
Purchase of marketable securities	6	(23,490)	-
Increase in advances to related company	17	(9,797)	-
Net cash used by investing activities		**(1,571,090)**	**(339,024)**
Net change in cash and cash equivalents during the period		**(2,490,835)**	**391,610**
Cash and cash equivalents – Beginning of the period		16,030,551	3,261,057
Cash and cash equivalents – End of the period		**13,539,716**	**3,652,667**
Change in non-cash working capital balances comprises:			
Receivables		(73,459)	(208,233)
Prepaid expenses		4,964	13,635
Trade and other payables		(209,921)	140,081
Net change in non-cash working capital balances		**(278,416)**	**(54,517)**
Additional information - non-cash transactions			
Issuance of shares/warrants for exploration and evaluation projects	8	372,000	-
Expired warrants included in contributed surplus	13	1,324,990	-
Additions to exploration and evaluation projects included in accounts payable	9	49,987	563,990

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

1 NATURE OF OPERATIONS AND GOING CONCERN

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".

Going Concern

These financial statements have been prepared using International Financial Reporting Standards applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due for the foreseeable future.

The Company is in the process of exploring its mineral property interests and has not yet determined whether its mineral property interests contain mineral deposits that are economically recoverable. The Company will periodically have to find 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 deferred exploration expenses 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.

For the three months ended March 31, 2012, the Company incurred a loss of $1,578,685 (2011 - $1,039,782). Cash and cash equivalents as at March 31, 2012 amounted to $13,539,716 ($16,030,551 as at December 31, 2011). Trade and other payables that will be settled in cash as at March 31, 2012 amounted to $350,231 ($867,273 as at December 31, 2011). In addition to ongoing working capital requirements, the Company must secure on an ongoing basis sufficient funds for its existing commitments for exploration, general and administration costs and future exploration activity on the Company's projects.

The Company's current cash reserves are sufficient to provide for these working capital requirements and existing commitments in the short term. However, 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. Should the Company not be able to obtain the necessary financing, the Company would not have the ability to meet its obligations as they come due. These circumstances may cast significant doubt as to the Company's ability to continue as a going concern and the ultimate appropriateness of the use of accounting principles applicable to a going concern. These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

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, 2011, 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 ("GAAP") 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, 2012.

(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 (formerly ChromeCana Ltd.) 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.

The comparative figures for 2011 also include the accounts of 7207565 Canada Inc. and 6949541 Canada Inc which had been wholly-owned subsidiaries and Debut Diamonds Inc. ("DDI") which had been a majority-owned subsidiary of the Company until December 15, 2011. On this date, the equity shares of DDI were distributed to the Company's shareholders as a return of capital. 7207565 Canada Inc. and 6949541 Canada Inc. were disposed of during 2011.

(d) Distribution of Debut Diamonds Inc

During 2011, the Company distributed the shares of DDI as a return of capital to its shareholders. This distribution was recognized once it was appropriately authorized and no longer at the discretion of the Company. It was measured initially and subsequently at fair value using the market price of the DDI shares.

DDI was also classified as a discontinued operation and the results of the disposal group are classified as discontinued operations in the statement of operations and the comparative amounts restated for all periods presented.

(e) 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 entities' functional currency are recognized in the consolidated statements of operations in "gain (loss) on foreign exchange".

(f) Critical Accounting Estimates and Judgement

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:

Critical Judgements

(i) Measurement of the recoverable amount of exploration and evaluation projects;
(ii) Qualifying Canadian exploration expenditures for purposes of renouncing these to flow-through shareholders;
(iii) The fair value of share-based payments, including stock based compensation and warrants;
(iv) Determination that the Company does not have significant influence over GoldTrain Resources Inc.

Critical Estimates

(i) The estimated useful life and property and equipment;
(ii) The valuation of the distribution of DDI;
(iii) The valuation of financial assets at fair value through operations; and
(iv) The valuation of financial assets at fair value through OCI.

(unaudited) (in Canadian dollars)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The account policies of the Company are set out in Note 3 to the 2011 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
There have been no new accounting policies adopted by the Company.

(b) New Standards and Interpretations Not Yet Adopted
Since the issuance of the Company's 2011 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, 2012	As at December 31, 2011
Bank balances	264,823	2,065,186
Short-term deposits	13,274,893	13,965,365
Cash and cash equivalents	**13,539,716**	**16,030,551**

5 RECEIVABLES

	As at March 31, 2012	As at December 31, 2011
Trade receivables	-	22,374
Sales taxes receivable	188,594	210,607
Due from Debut Diamonds Inc	793,569	783,772
Other receivables	173,413	55,567
Receivables	**1,155,576**	**1,072,320**

(unaudited) (in Canadian dollars)

6 MARKETABLE SECURITIES

	As at March 31, 2012	As at December 31, 2011
AFS:		
GoldTrain Resources Inc. ("GoldTrain") (i)		
7,270,000 common shares	472,550	472,550
Eloro Resources Ltd. ("Eloro") (ii)		
3,080,580 common shares	215,641	415,900
Debut Diamonds Inc. (iii)		
166,000 common shares	10,790	-
Total AFS	**698,981**	**888,450**
Financial assets at FVTPL:		
GoldTrain Resources Inc. (i)		
7,000,000 warrants	175,000	196,000
Eloro Resources Ltd. (ii)		
3,080,580 premium warrants	101,700	123,186
1,540,290 regular warrants	21,600	45,062
Debut Diamonds Inc. (iii)		
9,702,666 warrants exercisable at $0.10	281,400	960,600
7,000,000 warrants exercisable at $0.40	371,000	861,000
Total fair value of financial assets at FVTPL	**950,700**	**2,185,848**
Marketable securities	**1,649,681**	**3,074,298**

(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 in exchange for the settlement of a debt (debt settlement agreement between KWG and GoldTrain). Prior to the signing of this agreement, KWG sold its investment in 3,452,217 common shares of Strike Minerals Inc. to GoldTrain. GoldTrain subsequently sold these shares in a series of transactions. Both parties agreed to have this debt settled through the issuance of the GoldTrain shares and warrants. KWG's holdings represent approximately 14.36% of the issued and outstanding common shares of GoldTrain and approximately 24.84% of the outstanding warrants. The Company realized a gain on the disposal of the Strike Mineral Inc. shares in the amount of $153,000. Subsequent to this transaction, the Company acquired an additional 270,000 common shares of GoldTrain through purchases on the open market.

(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 in exchange for 100% of the issued and outstanding common shares of 6949541 Canada Inc ("6949541"), a wholly-owned subsidiary of KWG. Prior to the sale, KWG sold 11 claims in Louvicourt Township and transferred $200,000 in cash into 6949541. 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 regular warrants entitle the holder to purchase one common share for $0.24 on or before May 18, 2013. If the closing price of the common shares is over $0.60 for 20 consecutive days following the expiry of the 4 month hold period, the regular warrants must be exercised within 10 business days of Eloro providing written notice, or they will be cancelled.

(unaudited) (in Canadian dollars)

(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 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 $0.10 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 common shares of DDI were subsequently distributed to KWG's shareholders as a return of capital in December 2011. During the first quarter of 2012, the Company purchased 166,000 common shares of DDI on the open market.

Warrants

The financial assets at fair value through P&L 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 decreased by $1,235,148 during the first quarter of 2012.

The following table summaries the inputs that were used to calculate the fair value of the warrants as at March 31, 2012:

	GoldTrain	**Eloro Premium**	**Eloro Regular**	**DDI $0.10**	**DDI $0.40**
Average dividend per share	Nil	Nil	Nil	Nil	Nil
Estimated volatility	120.00%	120.00%	120.00%	150.00%	130.00%
Risk-free interest rate	1.19%	1.57%	1.19%	1.47%	1.19%
Expected life of the options granted	435 days	1,712 days	434 days	1,611 days	290 days
Calculated value per warrant	$0.025	$0.033	$0.014	$0.053	$0.029

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 $70,000, an equal change in the opposite direction would have had the equal but opposite effect on the amounts shown above.

For FVTPL assets, the impact on operations of a 10% increase in the market price of the common shares at the reporting date would have been $95,000.

(unaudited) (in Canadian dollars)

7 PROPERTY AND EQUIPMENT

	Automobiles	Computer Equipment	Office Equipment	Totals
Balance, January 1, 2011				
Cost	37,550	18,939	22,000	78,489
Accumulated amortization	(15,543)	(11,047)	(3,667)	(30,257)
Net book value	**22,007**	**7,892**	**18,333**	**48,232**
Additions	41,140	5,741	875	47,756
Amortization	(15,945)	(9,777)	(4,429)	(30,151)
Balance, December 31, 2011				
Cost	78,690	24,680	22,875	126,245
Accumulated amortization	(31,488)	(20,824)	(8,096)	(60,408)
Net book value	**47,202**	**3,856**	**14,779**	**65,837**
Additions	-	3,229	3,612	6,841
Amortization	(3,129)	(881)	(1,264)	(5,274)
Balance, March 31, 2012				
Cost	78,690	27,909	26,487	133,086
Accumulated amortization	(34,617)	(21,705)	(9,360)	(65,682)
Net book value	**44,073**	**6,204**	**17,127**	**67,404**

(unaudited) (in Canadian dollars)

8 MINERAL PROPERTY INTERESTS

Cumulative costs relating to the acquisition of mineral property interests and exploration and evaluation expenditures have been incurred on the following projects:

	Balance as at January 1, 2011	Current Expend-itures	Write Downs	Disposals	Balance as at December 31, 2011
Canada – Ontario					
Spider No. 1 / MacFadyen and Kyle (i)(ii)(iii)	2,516,896	(6,866)	-	(2,484,898)	25,132
Spider No. 3 / McFaulds Lake (i)	4,189,695	-	-	-	4,189,695
Wawa (i)(ii)	156,944	-	-	(156,944)	-
Big Daddy (i)(iv)	6,454,391	2,358,726	-	-	8,813,117
Diagnos (i)(ii)	189,120	-	-	(11,106)	178,014
Pele Mountain (i)(ii)	556,878	85,905	-	(642,783)	-
Uniform Surround (ii)	7,950	15,835	-	(23,785)	-
East West option (v)	202,123	-	(202,123)	-	-
Railroute Corridor (vi)	14,313,571	999,277	-	(76,537)	15,236,311
Smelter Royalty (vii)	2,682,587	20,000	-	(2,702,587)	-
Victor West	119,979	78,018	-	(197,997)	-
Nakina project	-	570,855	-	(570,855)	-
	31,390,134	4,121,750	(202,123)	(6,867,492)	28,442,269

	Balance as at January 1, 2012	Current Expend-itures	Write Downs	Disposals	Balance as at March 31, 2012
Canada – Ontario					
Spider No. 1 / MacFadyen and Kyle (i)(ii)(iii)	25,132	-	-	-	25,132
Spider No. 3 / McFaulds Lake (i)	4,189,695	-	-	-	4,189,695
Big Daddy (i)(iv)	8,813,117	1,246,922	-	-	10,060,039
Diagnos (i)(ii)	178,014	-	-	-	178,014
Railroute Corridor (vi)	15,236,311	380,694	-		15,617,005
	28,442,269	1,627,616	-	-	30,069,885

(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 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.

(ii) Ashton Mining Canada Ltd. holds a 25% claw back entitlement to any kimberlite property found or developed by KWG/Cliffs within the geographic limits of the Spider No. 1 project area, with the exception of Kyle Lake No. 1 where Ashton Mining relinquished its rights, which can be executed by paying KWG/Cliffs an amount equal to 300% of all exploration expenditures on said property.

(iii) The Kyle project is optioned to Renforth Resources Inc. ("Renforth") the operator and on October 18, 2010 Renforth had earned a 55% interest in the Kyle project by transferring a group of 39 adjacent claims and by incurring a total of $6 million of exploration expenditures over a period of three years. DDI's interests have been reduced to 22.5% and may be further reduced to 15% by Cliffs incurring exploration expenditures equal to its prior capital in the joint project.

(iv) 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 has 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. The final $2,500,000 was required to be spent before March 31, 2012 and this commitment has now been 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.

(v) On July 23, 2008, the Company acquired an option to earn a 65% interest in a group of claims held by Rainy Mountain Royalty Corp. (formerly East West Resources Corporation). The Company issued 2,000,000 shares at a price of $0.034 per share and paid $50,000 for the option for a total of $118,000. The Company was required to incur exploration expenditures of $250,000 in each of 2008 and 2009 and an additional $1,000,000 by August 2012 to earn 60%. An additional 5% may be earned in any mineral deposit discovered by the Company providing development and production financing. The Company has not incurred any expenditures on these claims since 2009 and, as a result of deciding not to perform any further work on this property, the Company wrote off the balance in 2011.

(vi) 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 (Note 12(i)). These claims are contiguous to the claims already held by the Company and are located on the railroad route.

(vii) On July 22, 2009, the Company completed the purchase of a 1% NSR in the Black Thor, Black Label and Big Daddy chrome discoveries in the James Bay lowlands for cash consideration of $1,635,000 including $635,000 payable at the closing of the transaction and a further $1 million payable within one year, and the issuance of 15 million common shares and 15 million common share purchase warrants, with each share purchase warrant entitling the holder to purchase a common share at a price of 10 cents for a period of five years. The common shares have been valued at $600,000 and the warrants at $370,000 making the total cost of the purchase $2,605,000. Additional ancillary costs of $27,587 were also incurred and these have been capitalized. Under the original terms of the purchase the remaining purchase price of $1,000,000 was to be paid in July 2010. An agreement was reached with the vendor prior to the required payment date whereby $950,000 of this amount was deferred to October 2010. In October 2010 a further agreement was reached whereby the amount owing would be paid out as follows: $50,000 in October 2010, $450,000 in December 2010 and $450,000 in February 2011. The balance owing was increased by a $50,000 financing fee which was also due in February 2011. A final agreement was negotiated on February 24, 2011 for the remaining payment owing of $500,000. The Company paid $100,000 in cash ($50,000 in February 2011 and $50,000 in March 2011) and, in satisfaction of the remaining $400,000, KWG issued 4,000,000 treasury units (Note 12(iv)) to complete the transaction. Each unit was valued at $0.10 and is comprised of one treasury share and one purchase warrant enabling its holder to acquire one further treasury share at any time within two years upon payment of $0.15. Additional financing payments of $20,000 were paid during the first six months of 2011 due to timing delays in issuing these shares. All financing payments have been capitalized in accordance with the Company's reporting policies.

On August 4, 2011, the Company completed the sale of this 1% NSR for total proceeds of US$18 million. Half of the purchase price was paid in cash and the remaining 50% was received by an escrow agent to be held in escrow for a period not to exceed three months and was to be paid to KWG upon confirmation of warranties made to the purchaser in connection with the transaction. The amount held in escrow was received on November 3, 2011. The sale of the NSR was effected by way of the sale of shares of 7207565 Canada Inc., the KWG subsidiary that held the royalty. KWG realized a gain of $14,056,530 on this transaction.

(viii) On December 21, 2011, the Company sold 11 claims in the Louvicourt Township to Eloro for consideration consisting of 3,080,580 common shares, 3,080,580 premium warrants and 1,540,290 regular warrants of Eloro (Note 6). Prior to the sale, KWG had transferred these claims in Louvicourt Township and $200,000 in cash into 6949541 Canada Inc and the transaction was accomplished through the sale of the shares of 6949541 Canada Inc. These claims had been written off by the Company a number of years ago. KWG realized a gain in the amount of $202,585 on this sale.

(ix) As a result of the distribution of the DDI shares in December 2011, the Company divested itself of the following mineral property interests:

Property Description	Amount
Spider No. 1 / MacFadyen and Kyle	2,484,898
Wawa	156,944
Diagnos	11,106
Pele Mountain	642,783
Uniform Surround	23,785
Railway infrastructure	76,537
Victor West	197,997
Nakina project	570,855
	4,164,905

9 TRADE AND OTHER PAYABLES

	Notes	**March 31, 2012**	**December 31, 2011**
Trade payables			
Exploration and evaluation projects		49,987	325,428
Non-project related		68,783	147,493
Accrued liabilities			
Non-project related		55,905	187,020
Flow-through premium liability		70,619	245,656
Share repurchase liability (re Normal Course Issuer Bid)	12	175,556	207,331
		420,850	1,112,928

10 WARRANT LIABILITY

Included in the warrants listed in Note 13 are 26,518,854 warrants issued in March and April of 2009 exercisable in United States dollars. The fair value of these warrants is recorded as a warrant liability at the date of issuance. These warrants are revalued at each balance sheet date with the corresponding gain (loss) recorded as gain (loss) on warrant revaluation through the statement of operations and comprehensive income (loss). A gain on the revaluation of $397,783 was recognized in the three months ended March 31, 2012 (2011 - loss of $221,462). The fair value of these warrants was estimated using a valuation model based on the following assumptions:

	Mar 31, 2012	**Dec 31, 2011**
U.S. exchange rate	1.0170	1.0170
Market price of shares	$0.07	$0.085
Average dividend per share	Nil	Nil
Estimated volatility	88.84%	94.37%
Risk-free interest rate	1.19%	0.95%
Expected life of the warrants	24 months	27 months

(unaudited) (in Canadian dollars)

A 10% increase in the market price of the common shares would result in an increase in the gain on revaluation in the amount of $70,000. A reduction of 10% would have an equal effect in the opposite direction.

11 NON-CONTROLLING INTEREST

The amount shown for non-controlling interest on the condensed interim consolidated statements of operations and comprehensive loss is in relation to a non-controlling interest ownership in the shares of DDI. The original investment, valued at $70,000, was in the form of services rendered in relation to one of the Company's mineral properties and was accordingly recorded as an increase to the cost of this property. During 2011, prior to the distribution of DDI shares by KWG, DDI received additional equity in the amount of $2,241,078, after deducting share issuance costs from non-related third party investors. Non-controlling interests' share of DDI expenses are reflected in the condensed interim consolidated statement of operations and are charged as a reduction to the balance sheet account non-controlling interests. This balance was eliminated as a result of the DDI distribution in mid-December 2011.

12 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, 2012	**Year ended December 31, 2011**
Issued	**Number of shares**	**Number of shares**
Balance – Beginning of period	671,323,941	623,458,941
Issued for mineral property interests (i)	3,000,000	-
Issued for Canadian exploration expenses (ii)(v)	-	26,620,000
Issued in exchange for marketable securities (iii)	-	21,000,000
Issued for settlement of liability re acquisition of mining assets (iv)	-	4,000,000
Issued following exercise of warrants and compensation options	-	250,000
Issued following exercise of stock options	-	50,000
Cancelled following repurchase through normal course issuer bid (vi)	(432,000)	(4,055,000)
Balance – End of period	**673,891,941**	**671,323,941**

(i) On March 2, 2012, the Company issued 3,000,000 common shares and 3,000,000 warrants (each warrant entitling the holder to purchase one common share for $0.12 on or before March 2, 2017) for the acquisition of 49 unpatented claims from INV Metals Inc. (note 8(vi)). The warrants were valued at $177,000 using a valuation model based on the following assumptions: market value of $0.065 per share, dividend yield of 0%, volatility of 159%, risk free rate of return of 1.42% and an expected life of 5 years.

(ii) On December 30, 2011, the Company completed a non-brokered private placement of 17,500,000 units for a total consideration of $1,750,000. These units were issued at $0.10 each and comprised one “flow through” common share of the Company and one-half of a common share purchase warrant exercisable at a price of $0.12 per warrant to acquire one common share for a period of thirty months. The Company allocated proceeds of $262,500 to the flow-through premium.

The fair value of the purchase warrants included in the units was estimated using a valuation model based on the following assumptions: market value of $0.085 per share, dividend yield of 0%, volatility of 110.46%, risk free interest rate of 0.95% and an expected life of thirty months. As a result, the fair value of the purchase warrants was estimated at $322,180.

Finders’ fees totalling $75,000 in cash and 750,000 compensation units were paid to one qualified party in relation to this placement. Each compensation unit was comprised of one non flow-through common share purchase warrant exercisable at a price of $0.12 per warrant to acquire one common share for a period of 30 months.

The fair value of the warrant portion of the agents’ compensation units was estimated using a valuation model based on the following assumptions: market value of $0.085 per share, dividend yield of 0%, volatility of 110.46%, risk free interest rate of 0.95% and an expected life of thirty months. As a result, the fair value of the purchase warrants was estimated at $35,250.

(iii) On August 29, 2011, the Company issued 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) to DDI in exchange for 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 DDI. The warrants were valued at $1,638,000 using a valuation model based on the following assumptions: market value of $0.085 per share, dividend yield of 0%, volatility of 163%, risk free interest rate of 1.65% and an expected life of 5 years.

(iv) On February 24, 2011, the Company issued 4,000,000 treasury units valued at $0.10 per unit in satisfaction of a debt owing in the amount of $400,000. This debt related to the purchase of a 1-percent NSR (Note 8(g)). Each unit consists of one common share and 1 purchase warrant which entitles the holder to purchase one common share at a price of $0.15 for a period of two years.

The fair value of the purchase warrants included in the units was estimated using a valuations model based on the following assumptions: market value of $0.12 per share, dividend yield of 0%, volatility of 165.43%, risk free interest rate of 1.35% and an expected life of two years. As a result, the fair value of the purchase warrants was estimated at $187,234 after a pro-rata allocation of the fair value of the units’ components.

(v) On January 31, 2011, the Company completed the final tranche of a non-brokered private placement of 9,120,000 “flow-through” shares for a total cash consideration of $1,185,600.

(unaudited) (in Canadian dollars)

These shares were issued for $0.13 each. The Company allocated proceeds of $20,915 to the flow-through premium.

(vi) On October 5, 2011, the Company's Board of Directors authorized the purchase of up to 31,900,000 of its common shares by way of normal course purchases on the TSX Venture Exchange. This represented 5% of the common shares outstanding at the time. The estimated cap on these purchases is $500,000 and the purchases will terminate within one year from the date of commencement. To December 31, 2011 the Company had purchased and cancelled 4,055,000 shares under this plan for a total consideration of $292,669. During the first quarter of 2012, the Company purchased a further 432,000 shares for a total consideration of $31,776. These shares have also been cancelled.

13 WARRANTS AND COMPENSATION OPTIONS

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

	Three months ended March 31, 2012		Year ended December 31, 2011	
Issued	**Warrants**	**Compensation options**	**Warrants**	**Compensation Options**
Balance – Beginning of period	196,448,893	750,000	165,365,162	-
Issued for mineral property interests (note 12(i))	3,000,000	-	-	-
Issued as part of private placement of units (note 12(ii))	-	-	8,750,000	-
Issued in exchange for marketable securities (note 12(iii))	-	-	21,000,000	-
Issued for settlement of debt re acquisition of mining assets (note 12(iv))	-	-	4,000,000	-
Issued for agents' compensation (note 12(ii))	-	-	-	750,000
Exercised *	-	-	(250,000)	-
Expired	(19,545,000)	-	(2,416,269)	-
Balance – End of period	**179,903,893**	**750,000**	**196,448,893**	**750,000**

* Exercise price was $0.10 at date of exercise with a market share price of $0.13.

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

(unaudited) (in Canadian dollars)

A summary of the Company's outstanding warrants and compensation options as at March 31, 2012 is presented below:

Number of warrants	Number of compensation options	Exercise price	Expiry date
24,928,673	-	0.15	April 2012
200,000	-	0.10	May 2012
1,300,000	-	0.10	June 2012
1,000,000	-	0.10	July 2012
1,000,000	-	0.10	August 2012
5,000,000	-	0.10	September 2012
21,911,540	-	0.10	October 2012
8,697,500	-	0.12	October 2012
4,135,000	-	0.15	December 2012
7,062,326	-	0.18	December 2012
4,000,000	-	0.15	February 2013
17,208,015	-	0.10 U.S.	March 2014
9,310,839	-	0.10 U.S.	April 2014
8,750,000	750,000	0.12	June 2014
15,000,000	-	0.10	July 2014
26,400,000	-	0.10	August 2014
21,000,000	-	0.15	August 2016
3,000,000	-	0.12	March 2017
179,903,893	**750,000**	**0.12**	

14 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 in such numbers, for such terms and at such exercise prices 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, 2012, 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; (ii) that the maximum number of common shares which 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; and (iii) that the maximum number of common shares that may be reserved for issuance to insiders of the Company is limited to 10% 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.

(unaudited) (in Canadian dollars)

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

Options

	Three months ended March 31, 2012		Year ended December 31, 2011	
	Number of shares	**Average exercise price**	**Number of shares**	**Average exercise price**
Balance – Beginning of period	60,593,200	0.114	58,343,200	0.114
Granted	7,100,000	0.10	4,300,000	0.112
Exercised	-	-	(50,000)	0.10
Cancelled or expired	-	-	(2,000,000)	0.10
Balance – End of period	**67,693,200**	**0.113**	**60,593,200**	**0.114**

The following table summarizes information about options outstanding and exercisable as at March 31, 2012:

		Outstanding options	Exercisable options
Exercise price	**Number of options**	**Average contractual life (in years)**	
0.10	32,288,200	3.01	25,088,200
0.115	3,500,000	3.98	2,625,000
0.12	5,410,000	0.66	5,410,000
0.125	24,545,000	3.10	24,545,000
0.14	1,500,000	3.25	1,500,000
0.15	500,000	0.81	500,000
0.113	**67,743,200**	**2.86**	**59,668,200**

Total stock compensation costs for the three months ended March 31, 2012 amounted to $303,128 (2011 – $419,825).

(unaudited) (in Canadian dollars)

The fair value of the options granted in 2012 and 2011 was estimated using a valuation model based on the following assumptions:

	Mar 2012	Nov 2011	Mar 2011
Average dividend per share	Nil	Nil	Nil
Estimated volatility	159.30%	161.36%	164.85%
Risk-free interest rate	1.63%	1.46%	1.3%
Expected life of the options granted	5 years	5 years	5 years
Weighted average of estimated fair value of each option granted	$0.064	$0.079	$0.108

15 GENERAL AND ADMINISTRATIVE EXPENSES

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

Three months ending March 31	2012	2011
Advertising and promotion	2,333	10,115
Consultants' fees	115,064	58,935
Directors' fees and insurance	19,341	18,562
Filing fees	16,248	31,521
Investor relations fees	146,537	8,930
Professional fees	116,896	59,913
Office overheads	64,804	59,937
Salaries and benefits	270,399	196,520
Travel and accommodation	16,721	18,472
Administrative recovery	(115,849)	(62,430)
	652,494	400,475

16 FINANCE INCOME / (EXPENSE)

Three months ended March 31	2012	2011
Interest income	44,551	10,670
Net change in financial assets at FVTPL	(1,235,148)	-
Premium on flow-through spending	175,036	-
Finance income / (expense)	(1,015,561)	10,670

17 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 2012, officers and companies controlled by officers charged consulting fees totalling $73,303 (2011 - $51,561) of which $32,384 remained payable at March 31, 2012 (2011 - $21,945). Directors' fees paid in the first quarter totalled $18,000 (2011 - $18,000) and certain directors also received salaries and bonuses in the amount of $178,692 (2011 - $64,615). KMP received 7,100,000 stock options in the first quarter of 2012 (2011 - 1,500,000). In the first quarter of 2012 stock compensation expenses totalled $222,163 for KMP (2011 - $276,558).

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 2012, the Company charged DDI for overhead and personnel charges in the amount of $61,331 (2011 - $nil) and for project costs in the amount of $54,518 (2011 - $nil).

18 COMMITMENTS AND CONTINGENCIES

Pursuant to flow-through financing agreements closed during the year ended December 31, 2011 the Company must incur $503,078 in exploration expenses by December 31, 2012.

The Company has incurred approximately $8 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 2011 audited consolidated financial statements, there is always a risk that some or all of these claims may be disallowed. No provision has been made for potential cost to the Company, if any, of such disallowance. To the extent that the costs are disallowed as deductions to shareholders, additional tax attributes would be created for the Company which would be considered for recognition at that time.

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.

19 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 24 to the 2011 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.

20 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 25 to the Company's

2011 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.

21 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 $45,388,705 at March 31, 2012 and $46,506,821 at December 31, 2011.

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 2012. The Company is not subject to externally imposed capital requirements.

22 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.

23 SUBSEQUENT EVENTS

(i) Subsequent to the end of March the Company repurchased a further 2,473,000 shares under the normal course issuer bid share repurchase plan (Note 12(vi)) for a total cash consideration of $154,064.

(ii) On May 22, 2012 the Company was informed that it had expended the required amount to increase its ownership interest in the Big Daddy project to 30% (Note 8(iv)).

KWG RESOURCES INC.

(An exploration stage company)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE QUARTER ENDED MARCH 31, 2012

This management's discussion and analysis (the "MD&A") should be read in conjunction with the annual financial statements of KWG Resources Inc., ("KWG" or the "Company").

DATE

This MD&A for the quarter ended March 31, 2012 is dated May 29, 2012.

COMPANY OVERVIEW

Soon after diamonds were first discovered in Canada, KWG in 1993 formed an alliance with Spider Resources Inc. ("Spider") to explore for diamonds in the James Bay Lowlands of Northern Ontario. This was an area known to have potential to host diamond-bearing kimberlite intrusions. However, it was impossible to explore by conventional prospecting methods as all host rock there is covered by the limestone of a former sea-bed which is now receded to the world's largest wetlands of bogs and lakes. The partners therefore determined to use airborne surveys to locate targets that were analogous to the new discoveries in the North West Territories. One of these large regional aerial surveys included much of a subterranean crescent formation that has now been named the *Ring of Fire.* A diamond drill hole completed there by De Beers in 2001, under an option agreement with KWG and Spider, discovered a copper and zinc occurrence. This first confirmation of the crescent's mineralized character resulted in much additional exploration activity culminating in a substantial nickel discovery by Noront Resources Ltd. and then, in 2007, two very significant discoveries of large near-surface emplacements of very high-grade chromite at the *Black Thor* deposit of Freewest Resources Canada Inc. and at the *Big Daddy* deposit on adjoining claims optioned from Freewest by KWG, which it was then required to share equally with Spider under a prior "area of interest" covenant.

To be able to continue to earn its interest in the Big Daddy deposit, KWG solicited an equity investment from Cliffs Natural Resources Inc. ("Cliffs"), which then became a 19.9% shareholder of KWG and nominated a representative to the KWG Board of Directors. KWG soon afterward purchased an existing underlying royalty interest in the area's deposits and formulated a plan to stake claims along a series of sand ridges to provide the Big Daddy joint venture with exclusive mineral title to land over which its chromite might be equipped for further exploration and development. A technical assessment of these claims was then completed to provide a data base of geotechnical characteristics and glacial till sample profiles. The value of this work was accepted by the Ministry of Northern Development and Mines ("MNDM") for assessment credit and an application will be made to bring the claims to lease for the purpose of making economic the Big Daddy joint venture's undertakings.

Recently, Cliffs has made application under the Public Lands Act for an easement to build a road for the purpose of developing Black Thor, over the surface of the very same mining claims KWG intends to bring to lease. KWG had previously completed a preliminary economic assessment of the Big Daddy project to comply with the requirements of the Ontario Securities Act for public disclosure of the discovery's economic merits. The Cliffs application to the Ministry of Natural Resources, which administers the Public Lands Act, requires consent from KWG pursuant to the provisions of the Mining Act for the use of the surface over the mining claims. Such consent was denied by KWG and the matter was referred to MNDM, which administers the Mining Act, and under the provisions of which KWG staked the mining claims and conducted assessment work. MNDM referred the matter to the Mining and Lands Commissioner of Ontario. The Commissioner then ordered that Cliffs provide KWG with the applicant's case and evidence, so that KWG might have an opportunity to respond in a full hearing before the Commissioner.

KWG's former diamond exploration assets were spun-out to the Company's shareholders in December 2011, as a return of capital to reduce the cost base of their KWG shares, by way of the distribution of the shares of Debut Diamonds Inc. ("DDI"). KWG also liquidated its interest in the area's underlying royalty, for cash, to arm itself with substantial working capital. When Cliffs recently acquired from UC Resources the option to earn an 85% interest in the McFaulds Lake joint venture, KWG waived its option to participate to enable Cliffs to now incur expenditures to a total of $24 million in that joint venture to earn its majority interest.

HIGHLIGHTS

During and subsequent to the quarter ended March 31, 2012, the Company:

Corporate

- Articles of Continuance adopted under the Canada Business Corporations Act.
- Continued a normal course issuer bid for the purchase of up to 31,900,000 common shares. To date 10,848,000 common shares have been repurchased under this plan.
- Incurred required $2,500,000 expenditures to increase ownership interest in Big Daddy to 30%.

Exploration

- Transported a bulk sample consisting of massive chromitite with a mass of 4,600kg to Xstrata Process Support in Falconbridge, Ontario, results are pending.
- Completed an aggregate total of 7,754m of NQ drilling in 23 boreholes for the resource delineation drilling program, results are pending.

Canada Chrome Corporation ("CCC")

- Acquired 49 unpatented claims located south of McFaulds Lake and the Ring of Fire that complete a section of the railway corridor. These claims also contain a potential source of aggregate material essential to the construction of any roadway or railway embankment.

OUTLOOK

The management of KWG is of the view that the Company's assets will prove to be catalytic in the development of mining in the *Ring of Fire,* in the very near term. The achievement of that will entail the area's First Nations seeing a realization of their aspirations being won from supporting the development of a railroad for long term mineral exploitation. It is encouraging that the leadership of those First Nations most directly affected appear able to achieve the consensus required for consent to these developments, which will constitute substantial change to traditional usages from time beyond memory.

It is our opinion that the chromite deposits of the *Ring of Fire* have a combined life equal to an appropriate amortization period 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 is exceedingly modest when compared to all available alternatives. We believe that these financial imperatives will combine with an informed mobilization of indigenous people's support, to achieve broad-based resource revenue sharing for them, and rationally funded infrastructure development for the area's mineral tenants. We expect that our mineral interests will become highly fungible as a result of being in the vanguard of these developments.

Overall Performance – Financial

During the first quarter of 2012, the Company utilized its cash reserves to cover ongoing administrative and general expenses as well as its planned exploration activities. The Company's cash inflows were minimal and consisted of interest income and a recovery of administrative expenses both from DDI. Regular expenditures for the quarter were lower than originally projected due to the planned curtailment of some of the Company's activities. Additionally expenditures were incurred related mainly due to costs related to the annual shareholders' meeting. The Company also expended the required amount, in the first quarter, to attain a 30% ownership of the Big Daddy project.

The Company has maintained its focus on its strategic planning to develop what it expects could become a major North American ferro-chrome supplier deposit as well to explore and build a route to transport materials to the mine site. The value of the deposit has been determined by the preliminary economic assessment and exploration activities on the *Big Daddy* property 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*.

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, 2012, the Company had working capital of $15,950,217 ($19,095,299 as at December 31, 2011) including $13,539,716 in cash and cash equivalents ($16,030,551 in 2011). The Company forecasts operating expenditures of approximately $2.4 million for fiscal 2012 and flow-through expenditure requirements of $1.75 million, of which $1.25 million was spent in the first quarter of 2012. The Company's current cash reserves which result mainly from the 2011 sale of the net smelter royalty ("NSR") interests are sufficient to provide for its working capital requirements and existing commitments in the short term. Also, see note 23 to the 2011 audited consolidated financial statements for commentary on the Company's commitments and contingencies. However, 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. Should the Company not be able to obtain the necessary financing, the Company would not have the ability to meet its obligations as they come due. These circumstances may cast significant doubt to the Company's ability to continue as a going concern. The Company invests its unexpended cash in highly-liquid, rated financial instruments.

Results from Operations

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

During the quarter ended March 31, 2012 the Company recorded a loss of $1,578,685 ($0.00 per share) compared to a net loss of $1,039,782 ($0.00 per share) for the same period in 2011. The loss includes a non-cash gain of $397,783 (loss of $221,462 in 2011) on the revaluation of the warrant liability which relates to warrants that are denominated in currencies other than Canadian dollars. These are shown as liabilities and not as part of equity. This warrant liability is then revalued at each balance sheet date thus creating a gain or loss that is reported in the statement of operations. The period results are explained as follows:

Income
Finance and interest income amounted to a net loss of $1,015,561 for the first quarter of 2012 compared to income of $10,270 in 2011. This includes the amortization of a deferred liability in the amount of $175,036 ($nil in 2011) for the flow-through premium received on the issuance of shares during 2011. Also included is a non-cash loss on the revaluation of warrant investments in the amount of $1,235,148 ($nil in 2011). Interest income for the quarter was $44,551 compared to $10,670 in 2011 which resulted from higher cash reserves due to the sale of the NSR during the latter half of 2011. Other income totaled $781 in both 2012 and 2011.

Expenses
Administrative Expenses
Administrative expenses for the first quarter of 2012 amounted to $652,494 compared with $400,475 for the same period in 2011. The following discusses variances in the main components of the administrative expenses:

- Increased salaries of $74,000 as a result of having a larger staff complement in 2012 compared to the previous year, which results in a decreased need for outside consultants;

- Professional and consultants' fees increased by $113,000 in the first quarter of 2012 compared to 2011 due to the complexities of the transition to International Financial Reporting Standards and its impact on the annual financial statements and the investigation of possible restructuring options;

- Investor relations fees increased by $138,000 in first quarter of 2012 compared to the same period in 2011 largely due to the fact the Company held the 2011 annual meeting in early 2012 and there was no annual meeting during 2011;

- During the first quarter of 2012 the Company recovered $115,000 ($62,000 in 2011) of administrative expenses as a result of providing services to DDI. In 2011 this recovery was due to having operatorship of the *Big Daddy* chrome project; and

- Other corporate expenses decreased by $20,000 in the first quarter of 2012 compared to the same period in 2011 which included a decrease in filing fees of $15,000 due to there not being any private placements thus far in 2012, a decrease of $8,000 in promotional expenditures due to a curtailment of these types of expenditures, a decrease in travel and accommodation expenditures of $2,000 and increased overheads $5,000 mainly due to the timing of the payment of an annual subscription.

Stock Compensation Costs
Stock compensation costs constitute a non-cash expense. During the first quarter of 2012, stock compensation costs totaled $303,128 compared with $419,825 for the same quarter in 2011. The expense was higher in 2011 as a result of the issuance of new stock options in the latter part of 2009 and in the second quarter of 2010. These stock options vest throughout 2010, 2011 and early 2012 which were greater than the options issued in the latter half of 2011 and early 2012. The calculated cost of these stock options is recognized as an expense over the vesting period. The Company issued 7,100,000 stock options in the first quarter of 2012.

Foreign Exchange Gain (Loss)
During the first quarter of 2012, the Company realized a foreign exchange loss of $792 compared to a gain of $2,072 for the same period in 2011. The Company had only a minimal amount of foreign currency balances and transactions during these periods.

SUMMARY OF QUARTERLY RESULTS

(Thousands of dollars except amount per share)

Quarter ending	***Total revenue***	***Net Income (loss)***	***Income (loss) per share (basic and diluted)***
March 31, 2012	-	(1,579)	<(0.01)
December 31, 2011	-	(931)	<(0.01)
September 30, 2011	-	13,837	0.02
June 30, 2011	-	140	<0.01
March 31, 2011	-	(1,039)	<(0.01)
December 31, 2010	-	(2,423)	<(0.01)
September 30, 2010	-	1,451	<0.01
June 30, 2010	-	(1,766)	<(0.01)

Losses for the last two quarters are attributable mainly to adjustments resulting from the period end revaluation of the warrant investments, ongoing general and administrative expenses, which were consistent with previous quarters and stock compensation costs.

Income for the third quarter of 2011 resulted from the sale of the NSR. The higher losses in quarters prior to this are attributable mainly to the recognition of mineral property write-offs, ongoing general and administrative expenses and stock compensation costs during such quarters. The net income in the third quarter of 2010 resulted from the receipt of the termination payment from Spider Resources Inc.

COMMITMENTS AND CONTINGENCIES

Pursuant to flow-through financing agreements closed during the year ended December 31, 2011 the Company must incur $503,078 in exploration expenses by December 31, 2012.

The Company has incurred approximately $8 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 2011 audited consolidated financial statements, there is always a risk that some or all of these claims may be disallowed. No provision has been made for potential cost to the Company, if any, of such disallowance. To the extent that the costs are disallowed as deductions to shareholders, additional tax attributes would be created for the Company which would be considered for recognition at that time.

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.

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 2012, officers and companies controlled by officers charged consulting fees totalling $73,303 (2011 - $51,561) of which $32,384 remained payable at March 31, 2012 (2011 - $21,945). Directors' fees paid in the first quarter totalled $18,000 (2011 - $18,000) and certain directors also received salaries and bonuses in the amount of $178,692 (2011 - $64,615). KMP received 7,100,000 stock options in the first quarter of 2012 (2011 - 1,500,000). In the first quarter of 2012 stock compensation expenses totalled $222,163 for KMP (2011 - $276,558).

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 2012, the Company charged DDI for overhead and personnel charges in the amount of $61,331 (2011 - $nil) and for project costs in the amount of $54,518 (2011 - $nil).

NEW ACCOUNTING POLICIES

International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") have been adopted in the Company's 2011 audited consolidated financial statements. Note 3 thereto includes the accounting policies that have been applied in preparing the financial statements for the years ended December 31, 2011 and 2010 and the quarterly financial statements for 2012 and 2011 as well as a summary of accounting standards and amendments issued but not yet adopted.

There have been no new accounting policies adopted by the Company in the first quarter of 2012.

FUTURE ACCOUNTING CHANGES

The Company may enter into joint venture arrangements with third parties. Presently, the Company's accounting policy is to account for these using the proportionate consolidation method. IFRS may remove this alternative and require equity accounting. The Company is assessing the impact of this standard on its financial reporting.

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 current 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:

Critical Judgments

(i) Measurement of the recoverable amount of exploration and evaluation projects;
(ii) Qualifying Canadian exploration expenditures for purposes of renouncing these to flow-through shareholders;

(iii) The fair value of share-based payments, including stock based compensation and warrants;
(iv) Determination that the Company does not have significant influence over GoldTrain Resources Inc.

Critical Estimates

(i) The estimated useful life and property and equipment;
(ii) The valuation of the distribution of Debut Diamonds Inc.;
(iii) The valuation of financial assets at fair value through operations; and
(iv) The valuation of financial assets at fair value through OCI.

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 disclosures are included in the 2011 audited consolidated financial statements.

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 parties, both of which are settled on a regular basis.

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 enure to the Company. At both March 31, 2012 and December 31, 2011, the Company had $nil in guarantees outstanding.

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

	March 31, 2012	**December 31, 2011**
Carrying amount		
Cash and cash equivalents	13,539,716	16,030,551
Receivables	1,155,576	1,072,320
Financial assets classified as available for sale	698,981	888,450
Financial assets classified as fair value through profit & loss	950,700	2,185,848
	16,344,973	20,177,169

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 below. 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. These circumstances may cast significant doubt as to the Company's ability to continue as a going concern and the ultimate appropriateness of the use of the accounting principles applicable to a going concern.

The Company has no significant long-term liabilities. All other contractually obligated cash flows are payable within the current 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, the value of its E&E properties 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. 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 50bps change in interest rate 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. The value of the Company's mineral resource properties is related to the price of, and outlook for, base and precious metals. 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.

Conflict of Interest Risk

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. The Canada Business Corporations Act (CBCA) provides 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 the CBCA. To the extent that other conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the CBCA.

OTHER

National Instrument 51-102 - Section 5.3

Below is a detailed analysis of exploration expenditures incurred for the three months ended March

31, 2012 with comparative figures for the year ended December 31, 2011 on a property by property basis. Properties owned by DDI are no longer part of the group and have been indicated as divested in the tables below:

Spider No. 1/MacFadyen and Kyle

Cost and deferred exploration expenses	***Three months ended March 31, 2012***	***Year ended December 31, 2011***
	$	***$***
Balance – Beginning of the period	25,132	2,516,896
Exploration expenses		
Drilling	-	(24,000)
Geology	-	10,639
Surveying	-	6,495
	-	(6,866)
Divestiture of DDI	-	(2,484,898)
Balance – End of the period	25,132	25,132

Wawa

Cost and deferred exploration expenses	***Three months ended March 31, 2012***	***Year ended December 31, 2011***
	$	***$***
Balance – Beginning of the period	-	156,944
Divestiture of DDI	-	(156,944)
Balance – End of the period	-	-

Big Daddy

Cost and deferred exploration expenses	***Three months ended March 31, 2012***	***Year ended December 31, 2011***
	$	***$***
Balance – Beginning of the period	8,813,117	6,454,391
Exploration expenses		
Camp expenses	-	-
Consulting	-	-
Drafting	-	-
Drilling	1,246,922	1,408,930
Environmental	-	-
Geology	-	12,286
Geophysics	-	-
License fees	-	-
Line cutting	-	-
Management	-	39,589
Metallurgical costs	-	32,420
MFFN compensation	-	2,610
Resource studies	-	193,739
Sample storage	-	8,136
Additional earn-in	-	661,016
	1,246,922	2,358,726
Balance – End of the period	10,060,039	8,813,117

Diagnos

Cost and deferred exploration expenses	***Three months ended March 31, 2012***	***Year ended December 31, 2011***
	$	***$***
Balance – Beginning of the period	178,014	189,120
Divestiture of DDI	-	(11,106)
Balance – End of the period	178,014	178,014

Pele Mountain

Cost and deferred exploration expenses	***Three months ended March 31, 2012***	***Year ended December 31, 2011***
	$	***$***
Balance – Beginning of the period	-	556,878
Exploration expenses		
Geology	-	10,639
Reports	-	5,500
Staking	-	7,412
Surveying	-	62,354
	-	85,905
Divestiture of DDI	-	(642,783)
Balance – End of the period	-	-

Uniform Surround

Cost and deferred exploration expenses	***Three months ended March 31, 2012***	***Year ended December 31, 2011***
	$	***$***
Balance – Beginning of the period	-	7,950
Exploration expenses		
Geology	-	10,639
Surveying	-	5,196
	-	15,835
Divestiture of DDI	-	(23,785)
Balance – End of the period	-	-

Railway Corridor

Cost and deferred exploration expenses	***Three months ended March 31, 2012***	***Year ended December 31, 2011***
	$	***$***
Balance – Beginning of the period	15,236,311	14,313,571
Exploration expenses		
Assaying & testing	-	71,445
Camp expenses	-	34,635
Claims staking	-	31,967
Draft closure plan	-	(9,000)
Field consultants	4,000	34,385
Flight costs	-	14,090
Geology	4,694	816,303
Legal costs	-	5,092
Travel & accommodation	-	360
	8,694	999,277
Acquisition costs	372,000	-
Divestiture of DDI	-	(76,537)
Balance – End of the period	15,617,005	15,236,311

Victor West

Cost and deferred exploration expenses	***Three months ended March 31, 2012***	***Year ended December 31, 2011***
	$	***$***
Balance – Beginning of the period	-	119,979
Exploration expenses		
Geology	-	10,639
Staking	-	10,209
Surveying	-	57,170
	-	78,018
Divestiture of DDI	-	(197,997)
Balance – End of the period	-	-

Nakina Project

Cost and deferred exploration expenses	***Three months ended March 31, 2012***	***Year ended December 31, 2011***
	$	***$***
Balance – Beginning of the period	-	-
Exploration expenses		
Acquisition costs	-	560,216
Geology	-	10,639
	-	570,855
Divestiture of DDI	-	(570,855)
Balance – End of the period	-	-

All Projects Combined

Cost and deferred exploration expenses	***Three months ended March 31, 2012***	***Year ended December 31, 2011***
	$	***$***
Balance – Beginning of the period	28,442,269	31,390,134
Acquisition costs	372,000	560,216
Exploration expenses		
Assaying & testing	-	71,445
Camp expenses	-	34,635
Draft closure plan	-	(9,000)
Drilling	1,246,922	1,384,930
Field consultants	4,000	34,385
Financing costs	-	20,000
Flight costs	-	14,090
Geology	4,694	881,784
Legal	-	5,092
Management	-	39,589
Metallurgical costs	-	32,420
MFFN Compensation	-	2,610
Reports	-	5,500
Resource studies	-	193,739
Sample storage	-	8,136
Shortfall payment	-	661,016
Staking	-	49,588
Survey	-	131,215
Travel & accommodation	-	360
	1,255,616	3,561,534
Write downs taken in the year	-	(202,123)
Properties sold during the year	-	(2,702,587)
Divestiture of DDI	-	(4,164,905)
Balance – End of the period	30,069,885	28,442,269

The following is a detailed break-down of administrative expenses incurred for the three months ended March 31, 2012 with comparative figures for the same period in 2011.

Administrative Expenses	***2012***	***2011***
	$	**$**
Advertising & Promotion	2,333	10,115
Consultant’s Fees	115,064	58,935
Directors Fees & Insurance	19,341	18,562
Filing Fees	16,248	31,521
Investor Relations Fees	146,537	8,930
Professional fees	116,896	59,913
Office Overhead	64,804	59,937
Salaries and benefits	270,399	196,520
Travel & Accommodation	16,721	18,472
Administrative recovery	(115,849)	(62,430)
Total Administrative Expenses	652,494	400,475

National Instrument 51-102 - Section 5.4
Disclosure of Outstanding Share Data (as at May 29, 2012)

Common shares outstanding: 671,518,941

Warrants and compensation options outstanding: 155,725,220

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***
200,000	-	0.10	May 2012
1,300,000	-	0.10	June 2012
1,000,000	-	0.10	July 2012
1,000,000	-	0.10	August 2012
5,000,000	-	0.10	September 2012
21,911,540	-	0.10	October 2012
8,697,500	-	0.12	October 2012
4,135,000	-	0.15	December 2012
7,062,326	-	0.18	December 2012
4,000,000	-	0.15	February 2013
17,208,015	-	0.10U.S.	March 2014
9,310,839	-	0.10U.S.	April 2014
8,750,000	750,000	0.12	June 2014
15,000,000	-	0.10	July 2014
26,400,000	-	0.10	August 2014
21,000,000	-	0.15	August 2016
3,000,000	-	0.12	March 2017

Options outstanding: 67,743,200 - average exercise price of $0.113

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

Number of Options	***Exercise Price $***	***Expiry Date***
2,690,000	0.10	June 2012
1,820,000	0.10	September 2012
500,000	0.15	October 2012
3,410,000	0.12	November 2012
2,000,000	0.12	December 2012
2,216,600	0.10	February 2013
588,100	0.10	May 2013
400,000	0.10	October 2013
5,673,500	0.10	October 2014
24,545,000	0.125	May 2015
1,500,000	0.14	June 2015
11,000,000	0.10	December 2015
3,500,000	0.115	March 2016
800,000	0.10	Nov 2016
7,100,000	0.10	Mar 2017

FORWARD LOOKING INFORMATION

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

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

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

ADDITIONAL INFORMATION

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