

KWG RESOURCES INC.

(An exploration stage company)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE QUARTER ENDED SEPTEMBER 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

DATE

This MD&A for the quarter ended September 30, 2015 is dated November 27, 2015.

COMPANY OVERVIEW

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

The Company has the right to acquire: (i) up to an 80% interest in respect of chromite contained in the Koper Lake Project; and (ii) up to a 20% interest in respect of the non-chromite minerals contained in the Koper Lake Project. The Company also has a 30% interest in the Big Daddy Project.

Through Canada Chrome Corporation ("CCC"), a wholly owned subsidiary, the Company has also staked mining claims in Northern Ontario with a view to the development and construction of a proposed railway or slurry pipeline from Aroland near Nakina, Ontario to the Koper Lake Project and the Big Daddy Project, as well as exploring for, delineating and developing aggregate and other minerals.

HIGHLIGHTS

During and subsequent to the three quarters ended September 30, 2015:

Corporate

- In January 2015, the Company withdrew its amended and restated preliminary short form prospectus due to market conditions. The original prospectus was filed in August 2014 and amended in November 2014 in connection with a marketed offering of units and Flow-Through Shares for minimum gross proceeds of \$4,000,000 and maximum gross proceeds of \$10,000,000.
- In January 2015, the Company acquired an additional 144,464,000 common shares in the capital of Debut Diamonds Inc. ("DDI") at a price of \$0.01 per share in settlement of all of the debt owed by DDI to KWG.
- In March 2015, the Company reached agreement with Bold Ventures Inc. to satisfy its obligation to make the third payment of \$700,000 required under Bold's Option Agreement with Fancamp Exploration Ltd on the Black Horse claims, by delivery to Fancamp of 35 million common shares of KWG. In consideration of the foregoing and a payment of \$5,000 by KWG, Bold has extended

the time by which KWG must complete the exploration expenditures required by the Option Agreement to September 30, 2015.

- In April 2015, KWG announced that its common shares will be delisted from the TSX Venture Exchange, effective at the close of business Wednesday, April 22nd, 2015. The common shares of the Company continue to be traded on the Canadian Securities Exchange (“CSE”).
- In June 2015, KWG acquired the 5-claim Hornby Property from MacDonald Mines Exploration Ltd. for 4 million treasury shares of KWG. The vendor retains a 2% NSR, half of which may be purchased by KWG for \$1 million at any time prior to production from the property. KWG also has the first right to buy the balance of the NSR at any time the holder proposes to sell it.
- In June 2015, KWG acquired the remaining 50% ownership it did not already own (in respect of which KWG now holds 100% ownership rights) in two United States provisional patent applications relating to the production of chromium iron alloys directly from chromite ore, and production of low carbon chromium iron alloys directly from chromite concentrates (the “Chromium IP”).
- In July 2015 KWG received an updated geological report and calculation of the resources inferred for the Black Horse chromite deposit. The inferred resource has increased to 85.9 million tonnes of chromite at a grade of 34.5%.
- In October 2015 the Company reached agreement with Bold Ventures Inc. and with Fancamp Exploration Ltd. to extend for one year all obligations and dates under the various agreements between them. As consideration for the extensions, KWG undertook to issue 25 million treasury shares to Fancamp, at a deemed value of \$500,000, of which \$300,000 will be credited as a reduction of the exploration expenditures under the agreements.
- In November 2015 the Company announced that it had entered a Confidentiality and Non-Disclosure Agreement with China Railway First Survey & Design Institute Group Co., Ltd. (“FSDI”) to enable the scoping and engineering data of CCC to be made available for examination and analysis. The parties intend to explore the possibility of a negotiated transaction between them for FSDI to undertake a feasibility study for KWG on all aspects of the construction of a *Ring of Fire* transportation corridor and railroad, including terms for construction financing facilities.

OUTLOOK

Recent developments surrounding the north-south transportation corridor have renewed the conviction of KWG’s management that the Company’s assets will prove to be catalytic in the development of mining in the *Ring of Fire*. These developments, combined with previously published resource estimates confirm management’s opinion that the chromite deposits of the *Ring of Fire* may have a very long combined production life. This will enable the depreciation and amortization of the cost of an infrastructure asset such as a railroad or slurry pipeline over a very long time equal to its useful life; perhaps 100 years or more. When that term is combined with the present historic low cost of the capital required to construct such an undertaking, the unit cost for projected usage can be quite modest when compared to all available alternatives. The test work done to date on the conversion of the Black Horse chromite into a metallised chrome and iron alloy using natural gas, reassures us that an opportunity to create a substantial and globally significant export industry in this key industrial commodity appears achievable. Equally importantly, existing transportation networks can be extended in such a way as to ensure the environmental and economic sustainability of such an enterprise. The time may now be quite near, for these concepts to be brought together in a meaningful way. We also continue to see indications that the area’s First Nations are becoming enthusiastic about participating in leading the development of these resources. It is to be hoped that the support for the development previously pledged by the governments of Ontario and Canada will follow such First Nations’ development leadership.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

As at and for the years ended December 31	2014	2013	2012
Summary Operating Results Data	\$	\$	\$
General and administrative expenses	3,217,881	2,531,450	2,710,145
Stock-based compensation	411,780	262,910	497,623
Loss from operations	(3,664,306)	(2,827,221)	(3,268,490)
Net loss for the year	(3,673,926)	(2,927,949)	(4,657,602)
Loss per share	(0.00)	(0.00)	(0.01)
Summary Balance Sheet Data	\$	\$	\$
Cash and cash equivalents	1,388,369	6,172,478	11,066,004
Receivables	764,149	1,516,970	1,286,148
Marketable securities	136,735	147,739	571,040
Total current assets	2,305,486	7,875,388	12,964,479
Exploration and evaluation projects	37,458,687	35,252,177	31,117,244
Total assets	43,541,759	43,179,196	44,164,421
Trade and other payables	187,135	270,022	810,461
Total equity	43,354,624	42,909,174	43,350,755

OVERALL PERFORMANCE – FINANCIAL

During the third quarter of 2015, the Company continued to utilize its cash reserves to cover administrative and general expenses and property payments as the Company does not currently have any significant revenue sources. KWG's exploration activities were funded from cash reserves. The Company's other cash inflows consisted of interest income in the amount of \$172 and a royalty payment of \$782. Regular expenditures for the first three quarters were roughly \$60,000 lower than originally projected mainly due to an increased effort to reduce outgoing cash flows. Management is still of the opinion that actual costs for the year will be at or below budgeted levels.

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

KWG's railway infrastructure project has been well timed and the need for a railway or slurry pipeline 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 or slurry pipeline to the *Ring of Fire*.

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

LIQUIDITY & CAPITAL RESOURCES

The main source of financing for KWG is the issuance of equity shares and sale of non-core assets. Each of KWG's projects has demonstrated sufficient evidence of geological merit to warrant additional exploration. However, it is not presently possible to estimate the cost of further exploration programs, which may or may not bring individual properties to a subsequent stage of development, since they are all exploration projects and their development depends on the results of exploration. On September 30, 2015, the Company had a working capital deficiency of \$150,176 (working capital of \$2,118,351 as at December 31, 2014) including \$84,451 in cash and cash equivalents (\$1,388,369 as at December 31, 2014). The reduction in cash reserves during 2015 includes expenditures of \$68,000 to fund

exploration activities at the Koper Lake Project and for testing and development of the Chromium IP. The Company forecasts operating expenditures of approximately \$2,270,000 for 2015. KWG currently does not have adequate working capital to finance its corporate and administrative activities for the entire 2015 year. However, the Company expects to raise additional funds through further equity financings or the sale of non-core assets throughout 2015 to cover these costs. Also, see note 21 to the 2014 audited consolidated financial statements for commentary on the Company's commitments and contingencies. There is no assurance that the Company will be successful in these actions. Should the Company not be able to obtain the necessary financing, there would be significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

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

RESULTS FROM OPERATIONS

During the three months ended September 30, 2015, the Company recorded a loss of \$632,476 (\$0.00 per share) for a cumulative loss of \$1,789,125 (\$0.00 per share) for the nine months ended September 30, 2015 (loss of \$723,896 (\$0.00 per share) and cumulative loss of \$2,451,391 (\$0.00 per share) for the comparable periods in 2014). The period results are explained as follows.

Income

Finance and interest income amounted to a loss of \$33,728 for the three months ended September 30, 2015 (cumulative income of \$5,395 for 2015) compared with a loss of \$65,388 for the same period in 2014 (cumulative income of \$133,035 for 2014). This includes the amortization of a deferred liability in relation to premiums realized on flow-through spending in the amount of \$nil for the three months ended September 30, 2015 (cumulative of \$nil for 2015) compared with \$nil for the same period in 2014 (cumulative of \$68,200 in 2014) for the flow-through premium received on the issuance of shares during 2014 and 2012. Also included is a non-cash loss on the revaluation of warrant investments in the amount of \$33,900 for the three months ended September 30, 2015 (cumulative profit of \$1,500 for 2015) compared to a loss of \$70,000 for the same period in 2014 (cumulative profit of \$35,000 for 2014). Interest income for the quarter was \$172 (cumulative of \$3,895 for 2015) compared to \$4,612 for the same period in 2014 (cumulative of \$29,835 for 2014) which resulted from cash reserves due to the sale of an NSR during the latter half of 2011. Other income totaled \$782 in all three quarters of both 2015 and 2014.

Expenses

Administrative Expenses

Administrative expenses for the three months ended September 30, 2015 amounted to \$469,273 (cumulative of \$1,615,254 for 2015) compared to \$548,571 for the same period in 2014 (cumulative of \$2,203,954 for 2014) for a net decrease of \$79,000 (cumulative decrease of \$589,000). The following discusses variances in the main components of the administrative expenses:

- Decreased salaries of \$43,000 (cumulative decrease of \$140,000) as a result of the timing of bonus payments and a decreased staffing level. Decreased directors' fees of \$28,000 (cumulative decrease of \$45,000) due to insufficient cash flow;
- Professional and consultants' fees decreased by \$116,000 (cumulative decrease of \$510,000) compared to the same period in 2014 due to higher legal fees incurred in 2014 to contest the request for an easement by a subsidiary of Cliffs Natural Resources Inc. (now owned by Noront Resources Ltd) as well as an effort by management to reduce these types of expenditures;
- Investor relations fees decreased by \$29,000 (cumulative decrease of \$69,000) compared to the same period in 2014 largely due to costs incurred in 2014 to poll the shareholders;
- A decrease of \$20,000 (cumulative decrease of \$110,000) in the amount the Company recovered in

respect of its administrative expenses as a result of providing services to the Koper Lake Project in 2014; and

- Corporate expenses increased by \$117,000 in the third quarter of 2015 (cumulative increase of \$65,000) compared to 2014 which included an decrease in filing fees of \$10,000 (cumulative decrease of \$18,000), increased overheads of \$86,000 (cumulative increase of \$123,000) and increased travel and promotional costs of \$41,000 (cumulative decrease of \$40,000).

Stock Compensation Costs

Stock compensation costs constitute a non-cash expense. Stock compensation costs for the third quarter of 2015 totaled \$130,939 (\$240,139 cumulative to September 30, 2015) compared with \$100,860 for the same quarter in 2014 (\$357,180 cumulative to September 30, 2014). The expense was higher in the second quarter of 2015 as a result of the issuance of new stock options in August 2015. The calculated cost of these stock options is recognized as an expense over the vesting period. The Company issued 40,714,000 in the third quarter of 2015 and 8,400,000 stock options in the second quarter of 2014 and 26,045,000 expired in the second quarter of 2015 (none in 2014).

SUMMARY OF QUARTERLY RESULTS

(Thousands of dollars except amount per share)

Quarter ending	Total revenue	Net loss	Loss per share (basic and diluted)
September 30, 2015	-	(632)	<(0.01)
June 30, 2015	-	(671)	<(0.01)
March 31, 2015	-	(486)	<(0.01)
December 31, 2014	-	(1,222)	<(0.01)
September 30, 2014	-	(724)	<(0.01)
June 30, 2014	-	(1,111)	<(0.01)
March 31, 2014	-	(617)	<(0.01)
December 31, 2013	-	(908)	<(0.01)

All of the above losses are attributable mainly to adjustments resulting from the period end revaluation of the warrant investments, ongoing general and administrative expenses and stock compensation costs.

COMMITMENTS AND CONTINGENCIES

- (i) The Company has incurred approximately \$13 million of expenditures which have been passed through to shareholders as eligible expenditures for their purposes under flow-through agreements. As noted in Note 3 to the annual consolidated financial statements, there is a risk that some or all of these 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. Additional costs may be incurred. The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments.

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

- ii) The Company has signed an operating lease for its premises located at 141 Adelaide St. W., Suite 420, Toronto, On, M5H 3L5. The lease is a net lease with a term of five years commencing on August 1, 2012. Monthly minimum rental payments are \$5,326 for October 1, 2012 through July 31, 2014 and \$5,568 for August 1, 2014 through July 31, 2017. There were no payments due for August and September 2012. The Company is also responsible for its proportionate share of the operating costs in relation to this space. In addition to waiving the first two months rental payments, the landlord reimbursed the Company for the amount of \$28,002 in relation to leasehold improvements and moving costs. The total amount of these inducements will be amortized over the life of the lease.
- iii) In accordance with an agreement with RBL Communications Inc. ("RBL") to implement and manage a complete online awareness and marketing program, the Company has committed to issue shares to RBL with a market value of \$2,825 in October 2015 and January 2016.
- iv) Under the terms of an employment agreement with the Company's CEO dated October 8, 2008, in the event of a change in control of the Company and the CEO's employment is involuntarily terminated within three years following the change in control, the Company shall pay the CEO an amount equal to three times his then-current base salary and three times his annual bonus most recently paid or accrued along with any unpaid salary and vacation pay. The contract requires payments totaling \$1,140,000 for the change of control and \$570,000 for the termination clause. As the triggering events have not taken place, the contingent payments have not been reflected in these consolidated financial statements.
- v) The Company's exploration and evaluation activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more onerous. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

RELATED PARTY TRANSACTIONS

The Company defines its officers (CEO, CFO and corporate secretary) and directors as Key Management Personnel ("KMP"). During the first three quarters of 2015, officers and companies controlled by officers charged consulting fees for cash consideration of \$143,405 (\$188,708 in 2014) and salaries and bonuses in the amount of \$208,846 (\$287,712 in 2014) of which \$50,915 remained payable at September 30, 2015 (\$18,185 in 2014). The consulting fees were for services performed by the corporate secretary and the CFO as well as for general accounting services. Directors' fees paid in the first three quarters totalled \$32,801 (\$77,463 in 2014). KMP received 24,414,000 stock options in the third quarter of 2015 (6,200,000 in the second quarter of 2014). In the first three quarters of 2015, stock compensation expenses totalled \$166,676 for KMP (\$238,105 in 2014).

Included in the April 2014 private placements were 800,000 flow-through units subscribed for by KMP for gross proceeds of \$80,000.

Debut Diamonds Inc.

The Company shares management, administrative assistance and facilities and other technical personnel with DDI in an arrangement not covered by a written agreement. Prior to 2014, the costs charged to DDI were equal to the costs incurred by the Company. Since 2013, the Company has not charged DDI for overhead and personnel charges (charges in 2013 - \$61,810). At December 31, 2012, due to adverse market conditions which management perceived were affecting the value of DDI's shares, the Company recorded a provision against the receivable from DDI in the amount of \$648,805. During 2013, DDI repaid \$91,477 of these loans. At December 31, 2014 the receivable balance was \$1,444,442 (December 31, 2013 - \$1,375,659) including interest of \$134,291 (\$65,507 at December 31, 2013). The entire receivable balance was subject to a loan agreement dated January 1, 2013. Under the loan agreement, interest was charged at 5% per annum compounded annually and the loan was to mature on January 2, 2016. Due to the uncertainty of collection, this interest had

not been accrued in the financial statements. The agreement also contained a conversion provision whereby KWG could convert the amount of the loan outstanding including any accrued but unpaid interest thereon, or any portion thereof, into common shares of DDI at a rate of \$0.05 per common share. This debt was secured by a general security agreement over the assets of DDI. On January 27, 2015, the debt was converted into common shares of DDI at a price of \$0.01 per share. The Company now holds or controls 144,630,000 common shares of DDI representing approximately 70.8% of the issued and outstanding shares of DDI.

CHANGES IN ACCOUNTING POLICIES

The consolidated financial statements for the years ended December 31, 2014 and 2013 have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and its interpretations adopted by the International Accounting Standards Board (“IASB”).

See Note 3 to the 2014 annual consolidated financial statements for further information on accounting policies adopted by the Company during the year.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 3 to the 2014 annual consolidated financial statements for further information on recent accounting pronouncements that may have a future impact on the Company.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

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

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

Capitalization of exploration and evaluation costs

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

Impairment of exploration and evaluation projects

While assessing whether any indications of impairment exist for exploration and evaluation projects, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation projects. Internal sources of information include the manner in which exploration and evaluation projects are being used or are expected to be used and indications of expected economic

performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's exploration and evaluation projects, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation projects.

Income taxes and recoverability of potential deferred tax assets

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

Share-based payments

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

FINANCIAL INSTRUMENTS

The following presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative and qualitative disclosures are included throughout the 2014 audited consolidated financial statements and are also contained in the Company's annual information form which is available on www.SEDAR.com.

Risk Management Framework

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

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

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

Credit Risk

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

Cash and Cash Equivalents

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

Receivables

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

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

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

Marketable Securities

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

Guarantees

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

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

	September 30, 2015	December 31, 2014
Carrying amount	\$	\$
Cash and cash equivalents	84,451	1,388,369
Receivables	137,570	764,149
Financial assets classified as AFS	85,529	73,735
Financial assets classified at FVTPL	1,500	63,000
	309,050	2,289,253

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 Note 24 of the 2014 annual consolidated financial statements. The Company has historically relied on issuances of shares to develop projects and to finance day-to-day operations and may do so again in the future.

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

Market Risk

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

Foreign Currency Risk

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

Interest Rate Risk

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

Other Market Price Risk

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

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

Other Business Risks

KWG is in the exploration stage and is subject to the risks and challenges similar to other companies in a comparable stage. Other than the risks relating to reliance on financing previously discussed, as

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

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

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

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

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

Some exploration properties are held under option agreements requiring capital payments, exploration expenditure and other commitments to earn and interest in the property, failing which no interest may be earned and the property may be lost. There is no assurance that the Company will be able to fulfill such obligations to earn any interest in such properties held under option.

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

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

IP Rights – KWG has acquired the rights to certain intellectual property patent applications. Although the Company is confident that the applications will be successful and the patents will be issued, there is no assurance of such success or issuance. However there is no assurance that such rights will not later be attacked or be circumvented. The prosecution and maintenance of such applications and patents is expensive and there is no assurance that the Company will be able to secure, exploit, maintain or defend its intellectual property rights.

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

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

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

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

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

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

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

Stage of Development - KWG is in the business of exploring for, with the ultimate goal of producing, precious and base metals from its mineral exploration properties. None of the KWG properties has commenced commercial production and KWG has no history of earnings or cash flow from its operations. As a result of the foregoing, there can be no assurance that KWG will be able to develop any of its properties profitably or that its activities will generate positive cash flow.

KWG has not paid any dividends and it is unlikely to enjoy earnings or pay dividends in the immediate or foreseeable future. KWG has not sufficiently diversified such that it can mitigate the risks associated with its planned activities. KWG has limited cash and other assets.

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

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

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

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

OTHER

National Instrument 51-102 - Section 5.3

Below is a detailed analysis of exploration expenditures incurred for the nine months ended September 30, 2015 with comparative figures for the year ended December 31, 2014 on a property by property basis:

Big Daddy Project

Cost and deferred exploration expenses	Nine months ended September 30, 2015	Year ended December 31, 2014
	\$	\$
Balance – Beginning of the period	10,234,703	10,238,203
Exploration expenses		
Studies	-	(3,500)
Balance – End of the period	<u>10,234,703</u>	<u>10,234,703</u>

Railway Corridor

Cost and deferred exploration expenses	Nine months ended September 30, 2015	Year ended December 31, 2014
	\$	\$
Balance – Beginning of the period	16,350,167	16,332,916
Exploration expenses		
Field consultants	5,298	14,408
Geology	-	2,843
	<u>5,298</u>	<u>17,251</u>
Balance – End of the period	<u>16,355,465</u>	<u>16,350,167</u>

The Temagami Iron Limited Partnership

Cost and deferred exploration expenses	Nine months ended September 30, 2015	Year ended December 31, 2014
	\$	\$
Balance – Beginning of the period	118,000	115,000
Exploration expenses		
Studies	-	3,000
Balance – End of the period	<u>118,000</u>	<u>118,000</u>

Koper Lake Project

Cost and deferred exploration expenses	Nine months ended September 30, 2015	Year ended December 31, 2014
	\$	\$
Balance – Beginning of the period	6,389,426	3,936,387
Exploration expenses		
Drilling	4,369	1,953,039
Acquisition costs	700,000	500,000
Balance – End of the period	<u>7,193,795</u>	<u>6,389,426</u>

MacFadyen Kimberlites

Cost and deferred exploration expenses	Nine months ended September 30, 2015	Year ended December 31, 2014
	\$	\$
Balance – Beginning of the period	-	-
Exploration expenses		
Field consultants	4,218	-
Acquisition costs	604,442	-
Balance – End of the period	608,660	-

Chromium IP J.V.

Cost and deferred exploration expenses	Nine months ended September 30, 2015	Year ended December 31, 2014
	\$	\$
Balance – Beginning of the period	3,701,148	263,280
Exploration expenses		
Consulting fees	38,634	53,069
Legal fees	23,108	33,119
Testing costs	2,203	233,666
	63,945	319,854
Acquisition costs	425,000	3,118,014
Balance – End of the period	4,190,093	3,701,148

Hornby Property

Cost and deferred exploration expenses	Nine months ended September 30, 2015	Year ended December 31, 2014
	\$	\$
Balance – Beginning of the period	-	-
Acquisition costs	100,000	-
Balance – End of the period	100,000	-

All Projects Combined

Cost and deferred exploration expenses	Nine months ended September 30, 2015	Year ended December 31, 2014
	\$	\$
Balance – Beginning of the period	41,159,835	35,252,177
Acquisition costs	1,829,442	3,618,014
Exploration expenses		
Consulting fees	38,634	53,069
Drilling	4,369	1,953,039
Field consultants	9,516	14,408
Geology	-	2,843
Legal fees	23,108	33,119
Studies	-	(500)
Testing costs	2,203	233,666
	77,830	2,289,644
Balance – End of the period	43,067,107	41,159,835

The following is a detailed break-down of administrative expenses incurred for the nine months ended September 30, 2015 with comparative figures for the same period in 2014.

	2015	2014
	\$	\$
Advertising & promotion	116,487	116,282
Consultant's fees	225,344	351,481
Directors fees & insurance	44,834	89,882
Filing fees	32,738	50,885
Gain on disposal of capital assets	-	(6,000)
Investor relations fees	52,170	121,811
Professional fees	201,534	585,258
Office overheads	340,413	222,842
Salaries and benefits	575,158	715,158
Travel & accommodation	26,576	67,266
Administrative recovery	-	(110,911)
Total administrative expenses	<u>1,615,254</u>	<u>2,203,954</u>

National Instrument 51-102 - Section 5.4

Disclosure of Outstanding Share Data (as at November 30, 2015)

Common shares outstanding: 845,147,718
Warrants and compensation options outstanding: 122,522,000

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

Number of warrants	Number of compensation options	Exercise price \$	Expiry date
6,000,000	-	0.10	June 2016
21,000,000	-	0.15	August 2016
5,000,000	-	0.10	September 2016
4,760,000	-	0.10	October 2016
27,200,000	-	0.10	November 2016
-	332,000	0.05	November 2016
2,310,000	-	0.10	December 2016
200,000	-	0.10	January 2017
1,700,000	-	0.10	February 2017
1,000,000	-	0.10	March 2017
3,000,000	-	0.12	March 2017
-	20,000	0.05	March 2017
25,000,000	-	0.10	May 2019
25,000,000	-	0.10	June 2020

Options outstanding: 83,850,000 - average exercise price of \$0.076

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

Number of options	Exercise price \$	Expiry date
11,000,000	0.10	December 2015
3,500,000	0.115	March 2016
800,000	0.10	Nov 2016
7,100,000	0.10	Mar 2017
12,336,000	0.10	May 2018
8,400,000	0.10	April 2019
40,714,000	0.05	August 2020

FORWARD LOOKING INFORMATION

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

Forward-looking information is subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking information and, even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, the Company. Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to: the inability of the Company to obtain required financing; 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 financing, equipment, labour or supplies, weather and climatic conditions, labour disputes 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, exercise options on and/or develop the Company's property interests; inflation; changes in exchange and interest rates; adverse changes in commodity prices; the Company's inability to declare and/or pay a dividend on its common shares, or at all; adverse general market conditions; the Company's inability to delineate additional mineral resources and delineate

mineral reserves; operating hazards and risks, management and control; environmental risks; adverse land claims; future unforeseen liabilities and other factors including, but not limited to, those listed under “Risk Factors” in the Financial Instruments section of this MD&A.

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

ADDITIONAL INFORMATION

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