KWG RESOURCES INC.

(An exploration stage company)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED SEPTEMBER 30, 2012

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").

DATE

This MD&A for the period ended September 30, 2012 is dated November 14, 2012.

COMPANY OVERVIEW

Soon after diamonds were first discovered in Canada in 1993, KWG 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 discovery 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 for assessment credit and an application has now been made to bring the claims to lease.

Recently, Cliffs has made application under the Public Lands Act for an easement to build a road for the purpose of developing *Black Thor,* on the claims KWG is bringing to lease for the purpose of making economic the *Big Daddy* joint venture's undertakings. KWG declined to consent to the Cliffs application for an easement for the purpose of making *Black Thor* economic, as it has no interest in the *Black Thor* deposit. Previously, KWG had 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 ("MNR"), which administers the Public Lands Act, was referred to the Ministry of Northern Development and Mines ("MNDM"), which administers the Mining Act, and under the provisions of which KWG staked the claims and conducted assessment work. The MNDM then referred the matter to the Mining and Lands Commissioner of Ontario ("the Commissioner") to determine whether KWG was acting reasonably in the circumstances by declining its consent to the grant of an easement by MNR to Cliffs. The Commissioner then ordered that Cliffs provide KWG with the applicant's case and evidence, so that KWG might have an opportunity to respond. KWG's management is of the view that the outcome of this process will confirm that the Crown may not effect an expropriation from a minority joint-venturer in order to prefer the exclusive interest of the majority joint-venturer.

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"). DDI has recently completed the initial archaeological reconnaissance survey of a series of geophysical targets that it will drill this year to explore for diamonds, under an exploration agreement with the First Nations whose traditional lands host the targets.

HIGHLIGHTS

During and subsequent to the period ended September 30, 2012:

Corporate

- Mr. Rene Galipeau resigned as a director of the Company following which Mr. Douglas Flett was elected interim Chairman of the Board of Directors.
- A new normal course issuer bid was launched for the purchase of a maximum of 33.5 million of the Company's common shares, with a budgeted amount of $162,000. Purchases will be made through Jones Gable and Company Limited and the common shares purchased will be cancelled. Under the previous normal course issuer bid, which terminated October 11, 2012, the Company cancelled 8,150,000 common shares.

Canada Chrome Corporation ("CCC") (wholly-owned subsidiary)

- Filed applications with the Ministry of Natural Resources (MNR) for thirty-two aggregate permits at sites located within the mineral claims covering the company's 308 kilometre-long railroad right-of-way. The sites are located along the proposed route for KWG's railway to the Ring of Fire region, and may provide material for the construction of the planned rail bed.
- The General Chairperson's Association ("GCA"), representing unionized employees at Ontario Northland Transportation Commission ("ONTC") has announced a revitalization plan for ONTC that includes the proposed construction of a rail link to the Ring of Fire mineral deposits in the James Bay Lowlands, where KWG has extensive claims.
- The new railway will form part of the Ring of Fire mining infrastructure and will be located within mining claims held by Canada Chrome Corporation, a wholly owned subsidiary of KWG Resources. The GCA's proposal calls for the railroad and other assets of the provincially-held ONTC, along with the new Ring of Fire railway, to be transferred to a new ports authority to be operated under the Canada Marine Act. Canada Chrome has made a significant investment to study and secure mining claims.
- KWG intends to continue discussions with the GCA and other stakeholders to advance this initiative, that has the goal of creating the transportation links necessary for mining to proceed in the Ring of Fire, and thereby deliver new economic and job opportunities in Northern Ontario. Other stakeholders involved in the discussions include First Nations communities and Nipissing-Timiskaming MP Jay Aspin.
- In the context of the GCA initiative, KWG's management will continue to pursue opportunities to crystalize the value of its strategic assets for its shareholders.

OUTLOOK

The management of KWG continues to be encouraged in its view that the Company's assets will prove to be catalytic in the development of mining in the *Ring of Fire,* in the near term. Important groups of the area's First Nations are now supporting the development of a railroad enterprise for long term mineral exploitation and area development. We continue to believe that the time has come for the development of mechanisms that deliver the fair sharing with those First Nations of new revenues derived from these lands reserved by Treaty to traditional usage.

It is our opinion that the chromite deposits of the *Ring of Fire* may have a combined life equal to an amortization period appropriate for the cost of an infrastructure asset such as a railroad; perhaps 100 years or more. When that term is combined with the present historic low cost of the capital required to construct such an undertaking, the unit cost for projected usage can be quite modest when compared to all available alternatives. We continue to believe that these financial imperatives can be combined 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.

The grant of an easement to construct a roadway over the Company's claims may only issue with its consent. That consent was sought and declined. It was declined because the consideration offered did not include either a plan to mine the Big Daddy deposit for which, in part, the claims were acquired and assessed; or, compensation of an adequate value instead. The claims provide egress with which to make the Big Daddy deposit economic by enabling its production to access markets. The Company can earn a market share with its portion of Big Daddy production, whereas the deferral of that production to favour another deposit with that exclusive egress will irrevocably lose that opportunity to the other deposit. The Company was advised that it was therefore not unreasonable to withhold its consent in the circumstances and for the compensation offered. The Mining and Lands Commissioner has been asked to determine whether that is the case, or not. While the Company is optimistic that its decision to decline consent will be vindicated, it expects the proceedings to be protracted. In the interim it intends to continue the development plan and has made application to bring the claims to lease. The Company will maintain that any Order in Council sought to exempt contiguous mineral claims from the requirement that their production be processed to final art in Canada, may only extend to mineral claims in which the Company has an interest.

OVERALL PERFORMANCE – FINANCIAL

During the third quarter of 2012, the Company continued to utilize its cash reserves to cover ongoing administrative and general expenses as well as its planned exploration activities as the Company does not currently have any significant revenue sources. The Company's cash inflows were minimal and consisted of interest income and a recovery of administrative expenses from DDI. Regular expenditures for the quarter and for the first three quarters in total 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' meetings and professional fees required to provide a defense to Cliff's easement application. The Company also expended the required amount, in the first quarter of 2012, 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 and product from 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 September 30, 2012, the Company had working capital of $14,689,552 ($19,095,299 as at December 31, 2011) including $11,580,139 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 $1.483 million was spent in the first three quarters of 2012. The Company's current cash reserves which result mainly from the 2011 sale of its 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 three months ended September 30, 2012 the Company recorded a profit of $659,815 ($0.00 per share) for a cumulative loss of $1,939,261 ($0.00 per share) for the nine months ending September 30, 2012 (net profit of $13,837,772 ($0.00 per share) and cumulative profit of $12,938,737 for the comparable periods in 2011). The profit includes a non-cash gain of $26,519 (cumulative of $698,801 for 2012) compared to $450,820 for the same three month period in 2011 (cumulative of $1,024,924 for 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. Also included in these results are non-cash expenditures of $58,831 (cumulative of $459,699 for 2012) related to stock compensation costs compared to $128,755 (cumulative of $748,928 for 2011). The period results are explained as follows:

Income

Finance and interest income amounted to a net income of $1,224,938 for the three months ended September 30, 2012 (cumulative net expense of $226,015 for 2012) compared with net income of $16,811 for the same period in 2011 (cumulative net income of $38,437 for 2011). This includes the amortization of a deferred liability in relation to premiums realized on flow-through spending in the amount of $747 for the three months ended September 30, 2012 (cumulative of $175,784 for 2012) compared with $984 for the same period in 2011 (cumulative of $7,945 in 2011) for the flow-through premium received on the issuance of shares during 2011. Also included is a non-cash gain on the revaluation of warrant investments in the amount of $1,187,300 for the three months ended September 30, 2012 (cumulative loss of $524,148 for 2012) compared to $nil for the same period in 2011 (cumulative of $nil for 2011). Interest income for the quarter was $36,891 (cumulative of $122,349 for 2012) compared to $15,827 for the same period in 2011 (cumulative of $30,492 for 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 the third quarter of 2012 (cumulative of $2,344 for 2012) compared to $781 for the same period in 2011 (cumulative of $85,784 for 2011).

Expenses

Administrative Expenses

Administrative expenses for the three months ended September 30, 2012 amounted to $523,978 (cumulative of $1,927,805 for 2012) compared to $531,426 for the same period in 2011 (cumulative of $1,506,261 for 2011) for a net decrease of $7,448 (cumulative increase of $421,544). The following discusses variances in the main components of the administrative expenses:

- Increased salaries of $71,000 (cumulative of $182,000) as a result of having a larger staff complement in 2012 compared to the previous year, which is a result of the Company's increased business activities. Decreased directors' fees of $28,000 (cumulative decrease $8,000) due to a retroactive increase paid in the third quarter of 2011;

- Professional and consultants' fees increased by $84,000 (cumulative $367,000) compared to 2011 due to the complexities of the transition to International Financial Reporting Standards and its impact on the annual financial statements, the investigation of possible restructuring options and legal fees incurred to contest a request for an easement by Cliffs;

- Investor relations fees increased by $14,000 (cumulative of $155,000) compared to the same period in 2011 largely due to the fact the Company has held the two annual meetings in 2012 and there was no annual meeting held during 2011;

- An increase of $99,000 (cumulative of $216,000) in the amount the Company recovered of its administrative expenses as a result of providing services to DDI. In 2011 this recovery included fees for the operatorship of the *Big Daddy* chrome project; and

- Corporate expenses decreased by $50,000 in the third quarter of 2012 (cumulative decrease of $59,000) compared to 2011 which included a decrease in filing fees of $6,000 (cumulative decrease of $14,000) due to there not being any private placements thus far in 2012, increased overheads $11,000 (cumulative of $17,000), mainly due to a new lease for the Company's Toronto office and decreased travel and promotional costs of $55,000 (cumulative decrease of $62,000).

Stock Compensation Costs

Stock compensation costs constitute a non-cash expense. Stock compensation costs for the third quarter of 2012 totaled $58,831 ($459,699 cumulative to September 30, 2012) compared with $128,755 for the same quarter in 2011 ($748,928 cumulative to September 30, 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 first two quarters of 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 and none in the second and third quarters.

Foreign Exchange Gain (Loss)

During the third quarter of 2012, the Company realized a foreign exchange loss of $653 (cumulative loss of $1,266) compared to a loss of $21,474 for the same period in 2011 (cumulative loss of $25,677). 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 Profit (loss)***	***Income (loss) per share (basic and diluted)***
September 30, 2012	-	660	<0.01
June 30, 2012	-	(1,020)	<(0.01)
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)

Profit for the last quarter is attributable to an increase in the fair value of the Company's warrant investments. Losses for the three quarters prior to that 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.

COMMITMENTS AND CONTINGENCIES

(i) Pursuant to flow-through financing agreements closed during the year ended December 31, 2011 the Company must incur $497,753 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.

(ii) The Company recently signed an operating lease for its premises located at 141 Adelaide Street West, Suite 420, Toronto, Ontario, M5H 3L5. The lease is a net 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 are 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.

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 2012, officers and companies controlled by officers charged consulting fees totalling $170,765 (2011 - $144,358) of which $17,213 remained payable at September 30, 2012 (2011 - $nil). Directors' fees paid in the first three quarters totalled $70,125 (2011 - $94,000) and a certain director also received salaries and bonuses in the amount of $328,692 in his capacity as an officer of the Company (2011 - $184,615). KMP received 7,100,000 stock options during the first three quarters of 2012 (2011 - 1,500,000). In the first three quarters of 2012 stock compensation expenses totalled $356,013 for KMP (2011 - $820,142). KMP and parties related to them owned 6,100,000 partnership units in the Temagami Iron Limited Partnership (Note 8(vi)) as of September 30, 2012.

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 three quarters of 2012, the Company charged DDI for overhead and personnel charges in the amount of $183,993 (2011 - $nil) and for project costs in the amount of $144,394 (2011 - $nil). As at September 30, 2012 DDI owed the Company $966,047 ($783,772 as at December 31, 2011).

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 three quarters 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, which are settled on a regular basis and amounts due from related 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 enure to the Company. At both September 30, 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:

	September 30, 2012	**December 31, 2011**
Carrying amount		
Cash and cash equivalents	11,580,139	16,030,551
Receivables	1,556,326	1,072,320
Financial assets classified as available for sale	492,900	888,450
Financial assets classified as fair value through profit & loss	1,661,700	2,185,848
	15,291,065	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 nine months ended September 30, 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	***Nine months ended September 30, 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	***Nine months ended September 30, 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	***Nine months ended September 30, 2012***	***Year ended December 31, 2011***
	$	***$***
Balance – Beginning of the period	8,813,117	6,454,391
Exploration expenses		
Camp expenses	-	-
Consulting	-	-
Drafting	-	-
Drilling	1,252,247	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
	1,252,247	2,358,726
Balance – End of the period	10,065,364	8,813,117

Diagnos

Cost and deferred exploration expenses	***Nine months ended September 30, 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	***Nine months ended September 30, 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	***Nine months ended September 30, 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	***Nine months ended September 30, 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	59,868	34,385
Flight costs	-	14,090
Geology	170,940	816,303
Legal costs	-	5,092
Travel & accommodation	-	360
	230,808	999,277
Acquisition costs	372,000	-
Divestiture of DDI	-	(76,537)
Balance – End of the period	15,839,119	15,236,311

Victor West

Cost and deferred exploration expenses	***Nine months ended September 30, 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	***Nine months ended September 30, 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	-	-

The Temagami Iron Limited Partnership

Cost and deferred exploration expenses	***Nine months ended September 30, 2012***	***Year ended December 31, 2011***
	$	***$***
Balance – Beginning of the period	-	-
Exploration expenses		
Acquisition costs	100,000	-
Balance – End of the period	100,000	-

All Projects Combined

Cost and deferred exploration expenses	***Nine months ended September 30, 2012***	***Year ended December 31, 2011***
	$	**$**
Balance – Beginning of the period	28,442,269	31,390,134
Acquisition costs	472,000	560,216
Exploration expenses		
Assaying & testing	-	71,445
Camp expenses	-	34,635
Draft closure plan	-	(9,000)
Drilling	1,252,247	1,384,930
Field consultants	59,868	34,385
Financing costs	-	20,000
Flight costs	-	14,090
Geology	170,940	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
	1,483,055	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	30,397,324	28,442,269

The following is a detailed break-down of administrative expenses incurred for the nine months ended September 30, 2012 with comparative figures for the same period in 2011.

Administrative Expenses	***2012***	***2011***
	$	**$**
Advertising & Promotion	13,765	102,231
Consultant's Fees	317,939	255,223
Directors Fees & Insurance	95,373	103,854
Filing Fees	35,798	49,511
Investor Relations Fees	186,052	30,484
Professional fees	543,068	239,123
Office Overhead	201,683	184,463
Salaries and benefits	773,836	591,445
Travel & Accommodation	88,678	62,325
Administrative recovery	(328,387)	(112,398)
Total Administrative Expenses	1,927,805	1,506,261

National Instrument 51-102 - Section 5.4
Disclosure of Outstanding Share Data (as at November 12, 2012)

Common shares outstanding: 670,178,941

Warrants and compensation options outstanding: 116,616,180

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***
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: 62,683,200 - average exercise price of $0.114

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

Number of Options	***Exercise Price $***	***Expiry Date***
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
5,623,500	0.10	October 2014
24,545,000	0.125	May 2015
1,500,000	0.14	June 2015
11,000,000	0.10	December 2015
3,500,000	0.115	March 2016
800,000	0.10	Nov 2016
7,100,000	0.10	Mar 2017

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; 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 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).