KWG RESOURCES INC.
(An exploration stage company)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED DECEMBER 31, 2013

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 period ended December 31, 2013 is dated April 8, 2014.

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.

The Company is presently exploring the *Black Horse* chromite discovery which is adjacent to the *Big Daddy* on strike to the southwest. It has the option to earn up to an 80% joint venture interest in the *Black Horse*, a discovery previously made by Fancamp Exploration Ltd. in 2010. A drilling program that commenced in March 2013 was to determine whether the discovery is part of a more extensive continuous emplacement of chromite within the regional intrusion that hosts the *Big Daddy* and *Black Thor* deposits on strike to the north east. The results of prior drilling and data from the partially completed program were compiled in a 43-101 resource calculation published in September 2013 (see SEDAR filings by KWG). The report concluded in part, *"Using a 20% cut-off, there are a total of 46.5 million tonnes at a grade of 38.8% Cr_2O_3 of Inferred Resources which should be upgradable through gravity and/or heavy media concentration."* A subsequent drill program completed in March 2014 was designed to test the downward extension of the mineralization and so possibly increase the inferred resource. Three deep drill holes each encountered very substantial intercepts of massive, semi-massive and disseminated chromite mineralization for which sample analysis is awaited.

In 2009, 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. Concurrent with this activity, KWG is performing exploration activities on these claims. The value of this work was accepted for assessment credit and an application has now been made to bring the claims to lease.

Cliffs subsequently 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 as it has no interest in the *Black Thor* deposit. The Ministry of Northern Development and Mines ("MNDM") referred the matter to the Mining and Lands Commission of Ontario ("the Commission") to determine whether KWG was acting reasonably and, if not, to make an Order to grant the easement sought in the absence of KWG's consent. The application was dismissed in a decision released by the Commission on September 11th. On October 9th Cliffs served a Notice of Appeal to have the Commission's decision reviewed by the Divisional Court of Ontario. The appeal is expected to be heard in mid-June of 2014. In February 2014 Ontario's Attorney General sought KWG's consent to an Order of the Divisional Court granting leave to intervene in the hearing of the appeal, which consent KWG declined. An application then brought before the Divisional Court by the Attorney General for an Order granting leave to intervene will be argued on April 28, 2014.

In the meantime, KWG continues to assess the viability and cost effectiveness of a railroad and other transport options. The study commissioned to compare the capital and operating costs of both a railroad and an all-weather road to the Ring of Fire further solidify the belief that a railroad would best suit the Ring of Fire. The study estimates the capital costs for a roadway at $1.052 billion and a railroad at $1.561 billion. If 3 million tonnes per year are shipped, operating costs are estimated at $10.50 per tonne for the railroad and $60.78 per tonne for trucking on the road. If 5 million tonnes per year are shipped, it is estimated that those operating costs per tonne would be reduced to $6.33 for rail and $59.28 for trucking.

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"). For every 100 shares of KWG held, a dividend in specie of 6 shares of DDI was distributed to shareholders of record on December 15, 2011.

HIGHLIGHTS

During and subsequent to the end of the period ended December 31, 2013:

Corporate

- The first three tranches of a private placement of flow-through units was completed, for proceeds of $2,100,000. KWG received conditional listing approval to complete a final subscription of units for $300,000 before December 23, 2013. The Company also issued 10 million shares to Fancamp Exploration Ltd. on February 7, 2014 to exercise the second option entitling it to continue to earn an 80% interest in the *Black Horse* chromite deposit.

Exploration

- Following assessment of the results from the initial diamond drill program on their Koper Lake Joint Venture with Bold Ventures Inc. under an option from Fancamp Exploration Ltd., a 43-101 resource calculation was published on the property's *Black Horse* chromite deposit where an inferred resource of 46.5 million tonnes at a grade of 38.8% Cr2O3 was documented to date (see SEDAR filings by KWG). A second drilling program completed this past winter was designed to extend the *Black Horse* inferred resource, for which sample analysis is now awaited. A secondary geophysical target suggesting near-surface mineralization was also tested with three shallow drill holes, but no significant mineralization was encountered.
- The Company is very encouraged with the results of ongoing metallurgical test work to determine the thermodynamics of metalizing the chromite from the *Black Horse* deposit by its reduction with natural gas. A report by *XPS Consulting & Testwork Services - a Glencore*

Company, received on April 2, 2014 suggests that overall direct energy costs to process one tonne of concentrate into metallized ferrochrome alloy are less than half those required for conventional technology. The author of the report wrote, *"The combination of cheap natural gas and large quantities of high grade chromite in Northern Ontario have the potential to completely revolutionize the market for chrome units into stainless steel manufacture".*

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

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

OUTLOOK

The grant of an easement to construct a roadway over the Company's claims may only be issued 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 Commission was asked to determine whether that is the case, or not. In a decision released September 10, 2013 the Mining and Lands Commission dismissed the application for an order to grant an easement over the Company's claims without its consent. The decision has been appealed to the Divisional Court of Ontario and it is expected that the appeal will be adjudicated in June 2014.

The Company has advised the Ministry of Mines and Northern Development that it will maintain that any Order in Council that may be 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. The Company has entered an option agreement under which it may earn up to an 80% joint venture interest in the *Black Horse* chromite occurrence. Programs completed under the option agreement will enable the Company to determine the feasibility of mining the *Black Horse* chromite, with which export markets might then be developed by egress over the contiguous claims acquired for that purpose.

In testing chromite ore from the *Black Horse* occurrence, it was discovered that its reduction to metallics was possible with the use of natural gas under controlled circumstances. A patent has been applied for in advance of further testing to commercialize this direct reduction method of refining chromite into metallic chrome. The method holds significant promise of enabling the chromite of the *Black Horse* occurrence to earn a considerable share of the market for chrome inputs amongst stainless steel makers, due to the much lower refining cost of the method when compared to refining chromite to charge ferro chrome in electric arc furnaces.

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

SELECTED CONSOLIDATED FINANCIAL INFORMATION

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

OVERALL PERFORMANCE – FINANCIAL

During the year ended December 31, 2013, the Company continued to utilize its cash reserves to cover administrative and general expenses and property payments as the Company does not currently have any significant revenue sources. KWG's exploration activities were funded from the proceeds of private placements which totalled $2,263,500 and also from existing cash reserves. The Company's other cash inflows consisted of interest income in the amount of $78,000. Regular expenditures for the year-to-date were roughly $110,000 higher than originally projected mainly due to the costs of defending Cliffs' easement application.

The Company has maintained its focus on its strategic planning to develop what it expects will become a major North American ferro-chrome supplier deposit as well to explore and build a route to transport materials to and product from the mine site. The value of the deposit has been determined by the preliminary economic assessment and exploration activities on the *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 December 31, 2013, the Company had working capital of $7,605,366 ($12,154,018 as at December 31, 2012) including $6,172,478 in cash and cash equivalents ($11,066,004 as at December 31, 2012). The reduction in cash reserves during 2013 includes the payment to Bold Ventures Inc. in the amount of $3,300,000 and expenditures of $900,000 to fund the joint venture's exploration activities for the year. The Company forecasts operating expenditures of approximately $2,400,000 and $2,985,000 for exploration activities for fiscal 2014. The latter includes flow-through expenditure requirements of $1,450,000. 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 20 to the 2013 audited consolidated financial statements for commentary on the Company's commitments and contingencies. Management will continue to pursue all financing alternatives available to fund its future obligations and exploration activities. There is no assurance that the Company will be successful in these actions.

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

RESULTS FROM OPERATIONS

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

During the year ended December 31, 2013 the Company recorded a loss of $2,927,949 ($0.00 per share) compared to $4,657,602 for the year ended December 31, 2012 ($0.01 per share). The loss includes a non-cash gain of $3,205 ($1,093,379 in 2012) 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 $262,910 ($497,623 for 2012) related to stock compensation costs. The above loss also includes non-cash write-downs of exploration and evaluation projects of $nil for 2013 ($25,132 for 2012) and receivable from Debut Diamonds Inc. ("DDI") in the amount of $nil for 2013 ($648,805 in 2012). The results for the year are explained as follows:

Income

Finance and interest income amounted to $181,119 for the year ended December 31, 2013 compared with a net loss of $1,616,462 for 2012. This included the amortization of a deferred liability in the amount of $243,983 ($245,655 in 2012) for the flow-through premium received on the issuance of shares during 2012 and 2013. Also included is a non-cash loss on the revaluation of warrant investments in the amount of $141,100 ($2,016,748 in 2012). Interest income for the year was $78,236 compared to $154,631 for 2012 which resulted from cash reserves due to the sale of the NSR during the latter half of 2011. The Company recorded an unrealized loss on its investment in marketable securities of $288,177 ($220,349 in 2012). Other income totaled $3,125 in both 2013 and 2012.

Expenses

Administrative Expenses

Administrative expenses for the year ended December 31, 2013 amounted to $2,531,450 ($2,710,145 for 2012) for a net decrease of roughly $179,000. The following discusses variances in the main components of the administrative expenses:

- Decreased salaries of $63,000 as a result of having a smaller staff complement in 2013 compared to the previous year. Increased directors' fees of $3,000 as a result of the implementation of per meeting stipends;
- Professional and consultants' fees decreased by $309,000 compared to 2012 due to higher activity in these areas in 2012 mainly due to the complexities of the transition to International Financial Reporting Standards and it impact on the annual financial statements and the investigation of possible restructuring options. Legal fees incurred to contest a request for an easement by Cliffs were comparable in both years;
- Investor relations fees decreased by $111,000 compared to 2012 largely due to the fact the Company held two annual meetings in 2012 and only one in 2013;
- A decrease of $320,000 in the amount the Company recovered of its administrative expenses as a result of providing services to DDI due to the cessation of activities for DDI; and
- Corporate expenses decreased by $19,000 in 2013 compared to 2012 which included a decrease in filing fees of $15,000, decreased overheads $9,000 and increased travel and promotional costs of $5,000.

Stock Compensation Costs

Stock compensation costs constitute a non-cash expense. Stock compensation costs for the year ended December 31, 2013 totaled $262,910 compared with $497,623 in 2012. The expense was higher in 2012 as a result of the issuance of new stock options in the second quarter of 2010 as well as the first quarter of 2012. There were also additional stock options issued in the second quarter of 2013. The calculated cost of these stock options is recognized as an expense over the vesting period. The Company issued 12,336,000 stock options in 2013 (7,100,000 in 2012) and 3,204,700 expired during the year (10,420,000 in 2012).

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)***
December 31, 2013	-	(908)	<(0.01)
September 30, 2013	-	(463)	<(0.01)
June 30, 2013	-	(596)	<(0.01)
March 31, 2013	-	(961)	<(0.01)
December 31, 2012	-	(2,719)	<(0.01)
September 30, 2012	-	660	<0.01
June 30, 2012	-	(1,020)	<(0.01)
March 31, 2012	-	(1,579)	<(0.01)

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

COMMITMENTS AND CONTINGENCIES

(i) Pursuant to flow-through financing agreements closed during November and December 2013 the Company must incur $1,450,000 in exploration expenses by December 31, 2014.

The Company has incurred approximately $12 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 conditions may exist at the date the financial statements are issued which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company does not record any liability for such future events until such time as the events are probable and reasonably determinable.

(ii) The Company has signed an operating lease for its premises located at 141 Adelaide St. W., Suite 420, Toronto, On, M5H 3L5. The lease is a net lease with a term of five years commencing on August 1, 2012. Monthly minimum rental payments are $5,326 for October 1, 2012 through July 31, 2014 and $5,568 for August 1, 2014 through July 31, 2017. There were no payments due for August and September 2012. The Company is also responsible for its proportionate share of the operating costs in relation to this space. In addition to waiving the first two months rental payments, the landlord reimbursed the Company for the amount of $28,002 in relation to leasehold improvements and moving costs. The total amount of these inducements will be amortized over the life of the lease.

(iii) In accordance with the agreement with AGORA the Company has committed to issue shares with a market value of $14,125 on or about January 15 and April 15, 2014 and shares with a market value of $7,063 on or about July 15 and October 15, 2014.

RELATED PARTY TRANSACTIONS

The Company defines its officers (CEO, CFO and corporate secretary) and directors as Key Management Personnel ("KMP"). During 2013, officers and companies controlled by officers charged consulting fees totalling $218,271 ($229,357 in 2012) and salaries and bonuses in the amount of $417,308 ($403,692 in 2012) of which $15,000 remained payable at December 31, 2013 ($19,898 in 2012). Directors' fees paid for the year totalled $102,647 ($97,372 in 2012). KMP received 6,836,000 stock options in 2013 (7,100,000 in 2012). In 2013 stock compensation expenses totalled $158,468 for KMP ($438,829 in 2012).

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

Debut Diamonds Inc.

The Company shares management, administrative assistance and facilities and other technical personnel with DDI. This is not covered by a written agreement. The costs charged to DDI are equal to the costs incurred by the Company. During 2013, the Company charged DDI for overhead and personnel charges in the amount of $61,810 ($251,325 in 2012) and for project costs in the amount of $nil ($248,121 in 2012) and it also advanced funds in the form of loans to DDI in the amount of

$297,913 during 2012. At December 31, 2012, due to adverse market conditions which management perceived were affecting the value of DDI's shares, the Company decided to record a provision against the receivable from DDI in the amount of $648,805. During 2013, DDI repaid $91,477 of these loans. At December 31, 2013, the receivable balance was $1,310,152 ($1,401,629 at December 31, 2012). The entire loan balance is subject to a loan agreement dated January 1, 2013. Under the loan agreement, interest is charged at 5% compounded annually and there are is no set repayment date. Due to the uncertainty of collection, this interest has not been accrued in these consolidated financial statements. The agreement also contains a conversion provision whereby KWG can convert the amount of the loan outstanding including any accrued but unpaid interest thereon, or any portion thereof, into common shares of the Company at a rate of $0.05 per common share. This debt is secured by a general security agreement over the assets of DDI.

CHANGES IN ACCOUNTING POLICIES

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

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

RECENT ACCOUNTING PRONOUNCEMENTS

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

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

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

Capitalization of exploration and evaluation costs

Management has determined that exploration and evaluation costs incurred during the year have future economic benefits and are economically recoverable. In making this judgement, 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 probably mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. See Note 9 for details of capitalized exploration and evaluation costs.

Impairment of exploration and evaluation projects

While assessing whether any indications of impairment exist for exploration and evaluation projects, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation projects. Internal sources of information include the manner in which exploration and evaluation projects are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's exploration and evaluation projects, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation projects.

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

Share-based payments
Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgements 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 disclosures are included throughout the 2013 audited consolidated financial statements.

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

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

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

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

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

Receivables
The Company's receivables consist primarily of trade receivables and amounts due from related 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 ensure to the Company. At December 31, 2013, the Company had $nil in guarantees outstanding (2012 - $nil).

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

	December 31, 2013	**December 31, 2012**
Carrying amount		
Cash and cash equivalents	6,172,478	11,066,004
Receivables	850,437	927,393
Financial assets classified as AFS	119,739	401,940
Financial assets classified at FVTPL	28,000	169,100
	7,170,654	12,564,437

Liquidity Risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have

sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking undue damage to the Company's reputation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Environmental and Other Regulatory Requirements - KWG's activities are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner, which means stricter standards and enforcement, fines and penalties for non-compliance are 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 have 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 paying 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 the management. These individuals are a significant factor in KWG's growth and success. The loss of the service of members of the management and certain key employees could have a material adverse effect on KWG.

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

OTHER

National Instrument 51-102 - Section 5.3
Below is a detailed analysis of exploration expenditures incurred for the year ended December 31, 2013 with comparative figures for the year ended December 31, 2012 on a property by property basis:

Spider No. 1/MacFadyen and Kyle

Cost and deferred exploration expenses	***Year ended December 31, 2013***	***Year ended December 31, 2012***
	$	***$***
Balance – Beginning of the year	-	25,132
Written off	-	(25,132)
Balance – End of the year	-	-

Spider No. 3/McFaulds Lake

Cost and deferred exploration expenses	***Year ended December 31, 2013***	***Year ended December 31, 2012***
	$	***$***
Balance – Beginning of the year	4,189,695	4,189,695
Exploration expenses		
Geology	(1,378)	-
Balance – End of the year	4,188,317	4,189,695

Big Daddy

Cost and deferred exploration expenses	***Year ended December 31, 2013***	***Year ended December 31, 2012***
	$	***$***
Balance – Beginning of the year	10,065,364	8,813,117
Exploration expenses		
Drilling	-	1,252,247
Studies	172,839	-
	172,839	1,252,247
Balance – End of the year	10,238,203	10,065,364

Railway Corridor

Cost and deferred exploration expenses	***Year ended December 31, 2013***	***Year ended December 31, 2012***
	$	***$***
Balance – Beginning of the year	16,084,171	15,236,311
Exploration expenses		
Claims staking	108,313	-
Field consultants	5,891	102,178
Geology	43,476	201,847
Studies	91,065	171,835
	248,745	475,860
Acquisition costs	-	372,000
Balance – End of the year	16,332,916	16,084,171

The Temagami Iron Limited Partnership

Cost and deferred exploration expenses	***Year ended December 31, 2013***	***Year ended December 31, 2012***
	$	***$***
Balance – Beginning of the year	100,000	-
Exploration expenses		
Acquisition costs	15,000	100,000
Balance – End of the year	115,000	100,000

CME Project

Cost and deferred exploration expenses	***Year ended December 31, 2013***	***Year ended December 31, 2012***
	$	***$***
Balance – Beginning of the year	500,000	-
Exploration expenses		
Survey	12,000	500,000
Reimbursement of costs	(500,000)	-
Written off	(12,000)	-
Balance – End of the year	-	500,000

Bold Venture Joint Venture

Cost and deferred exploration expenses	***Year ended December 31, 2013***	***Year ended December 31, 2012***
	$	***$***
Balance – Beginning of the year	-	-
Exploration expenses		
Acquisition costs	300,000	-
Drilling	3,636,387	-
Studies	263,280	-
	4,199,667	-
Balance – End of the year	4,199,667	-

All Projects Combined

Cost and deferred exploration expenses	***Year ended December 31, 2013***	***Year ended December 31, 2012***
	$	***$***
Balance – Beginning of the year	31,117,244	28,442,269
Acquisition costs	315,000	472,000
Exploration expenses		
Claims staking	108,313	-
Drilling	3,636,387	1,252,247
Field consultants	5,891	102,178
Geology	42,098	201,847
Studies	527,184	171,835
Survey	12,000	500,000
	4,331,873	2,228,107
Reimbursement of costs	(500,000)	-
Write downs taken in the year	(12,000)	(25,132)
Balance – End of the year	35,252,117	31,117,244

The following is a detailed break-down of administrative expenses incurred for the year ended December 31, 2013 with comparative figures for the year ended December 31, 2012.

	2013	***2012***
	$	**$**
Advertising & promotion	57,214	22,366
Consultant's fees	475,339	595,114
Directors fees & insurance	120,911	117,739
Filing fees	32,553	47,785
Investor relations fees	80,448	191,030
Professional fees	617,564	806,615
Office overheads	258,234	268,222
Salaries and benefits	978,801	1,042,028
Travel & accommodation	74,217	103,645
Administrative recovery	(163,831)	(484,399)
Total administrative expenses	2,531,450	2,710,145

National Instrument 51-102 - Section 5.4
Disclosure of Outstanding Share Data (as at April 8, 2014)

Common shares outstanding: 750,312,273
Warrants and compensation options outstanding: 123,402,000

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

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

Options outstanding: 66,404,500 - average exercise price of $0.111

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

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

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).