KWG RESOURCES INC.

(An exploration stage company)

Interim Consolidated Financial Statements

NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2010

NOTICE TO READERS OF THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS:

The unaudited interim consolidated financial statements of KWG Resources Inc. for the nine-month period ended September 30, 2010 have been prepared by management and have not been reviewed by the Company's external auditors.

(s)

RENE R. GALIPEAU, Director

(s)

THOMAS E. MASTERS, Chief Financial Officer

Montreal, Quebec
November 22, 2010

KWG Resources Inc.
(An exploration stage company)
Interim Consolidated Balance Sheets (in Canadian dollars)(unaudited)

	As at Sept 30, 2010	As at Dec 31, 2009
Assets		
Current assets		
Cash and cash equivalents (note 4)	1,285,323	2,056,751
Accounts receivable	610,375	216,486
Temporary investments (note 5)	202,850	134,991
Prepaid expenses	12,748	25,022
	2,111,296	2,433,250
Capital Assets (note 6)	48,788	40,101
Mining assets (note 7)	30,596,595	18,256,842
	32,756,679	20,730,193
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,846,628	1,961,496
Shareholders' Equity		
Share capital (note 8)	28,885,166	17,039,499
Warrants and compensation options (note 9)	5,326,137	4,031,086
Contributed surplus (note 11)	4,720,205	3,258,431
Deficit	(7,931,106)	(5,304,514)
Accumulated other comprehensive loss (note 12)	(90,350)	(255,805)
	30,910,052	18,768,697
	32,756,679	20,730,193

The notes on pages 6 to 16 form an integral part of these financial statements.

Approved by the Board of Directors

(s) ________________________________ Director

(s) ________________________________ Director

KWG Resources Inc.

(An exploration stage company)

Interim Consolidated Statements of Operations and Deficit and Statements of Comprehensive Income (Loss) (in Canadian dollars)
(unaudited)

	Three-month period ended Sept 30		Nine-month period ended Sept 30	
	2010	**2009**	**2010**	**2009**
Income				
Termination fees (Note 16)	2,300,000	-	2,300,000	-
Interest and other income	5,502	885	12,104	18,076
	2,305,502	885	2,312,104	18,076
Expenses				
Administrative (Note 16)	703,585	848,503	2,763,016	2,238,567
Depreciation	6,292	2,876	18,142	3,755
Stock compensation costs (note 10)	353,406	2,943	1,461,774	43,679
Warrants extension cost	-	-	-	660,000
Realized loss on temporary investments (note 5)	-	-	97,596	-
Unrealized loss on temporary investments	-	-	-	47,500
Loss(gain) on exchange	(929)	95,531	(47,510)	436,953
	1,062,354	949,853	4,293,018	3,430,454
Income (loss) for the period before income tax	1,243,148	(948,968)	(1,980,914)	(3,412,378)
Future income tax recovery	-	-	1,022,000	105,000
Income (loss) for the period	1,243,148	(948,968)	(958,914)	(3,307,378)
Deficit – Beginning of the period	(9,174,254)	(8,466,798)	(5,304,514)	(20,877,880)
Share and warrant issue expenses	-	(13,822)	(1,667,678)	(244,330)
Reduction of Deficit	-	5,000,000	-	20,000,000
Deficit – End of the period	(7,931,106)	(4,429,588)	(7,931,106)	(4,429,588)
Income (loss) per share	(0.00)	(0.00)	(0.00)	(0.01)
Weighted average number of outstanding shares	589,549,206	383,944,420	545,742,818	345,894,312

Consolidated Statements of Comprehensive Income (loss)	Three-month period ended Sept 30		Nine-month period ended Sept 30	
	2010	**2009**	**2010**	**2009**
Income (loss) for the period	1,243,148	(948,968)	(958,914)	(3,307,378)
Other Comprehensive income (loss)				
- Change in unrealized loss on financial assets available-for-sale	(16,011)	(17,779)	165,455	(30,342)
Comprehensive income (loss)	1,227,137	(966,747)	(793,459)	(3,337,720)

The notes on pages 6 to 16 form an integral part of these financial statements.

KWG Resources Inc.

(An exploration stage company)

Interim Consolidated Statements of Cash Flows (in Canadian dollars)
(unaudited)

	Three-month period ended Sept 30		Nine-month period ended Sept 30	
	2010	**2009**	**2010**	**2009**
Cash flows from				
Operating activities				
Income (loss) for the period	1,243,148	(948,968)	(958,914)	(3,307,378)
Adjustments for				
Stock compensation costs (note 10)	353,406	2,943	1,461,774	43,679
Warrants extension cost	-	-	-	660,000
Realized loss on temporary investments	-	-	97,596	-
Unrealized loss on temporary investments	-	-	-	47,500
Amortization of property, plant and equipment	6,292	2,876	18,142	3,755
Future income tax recovery	-	-	(1,022,000)	(105,000)
	1,602,846	(943,149)	(403,402)	(2,657,444)
Financing activities				
Share capital issued	-	1,465,000	11,845,667	4,919,732
Warrants and compensation options issued	-	942,500	1,295,051	1,875,494
Share and warrant issue expenses	-	(13,822)	(645,678)	(139,330)
	-	2,393,678	12,495,040	6,655,896
Investing activities				
Additions to mining assets	(1,078,338)	(4,439,540)	(12,339,753)	(5,294,950)
Acquisition of temporary investments (note 5)	-	-	-	(60,000)
Proceeds from disposal of temporary investments	-	-	400	-
Acquisition of property, plant and equipment	(704)	(2,631)	(27,230)	(33,397)
Change in non-cash working capital items	(542,206)	1,503,735	(496,483)	1,407,004
	(1,621,248)	(2,938,436)	(12,863,066)	(3,981,343)
Net change in cash and cash equivalents during the period	(18,402)	(1,487,907)	(771,428)	17,109
Cash and cash equivalents – Beginning of the period	1,303,725	3,033,913	2,056,751	1,528,897
Cash and cash equivalents – End of the period	1,285,323	1,546,006	1,285,323	1,546,006
Change in non-cash working capital items comprises:				
Accounts receivable	(359,963)	(71,196)	(393,889)	(74,631)
Prepaid expenses	(1,209)	3,902	12,274	(25)
Accounts payable and accrued liabilities	(181,034)	1,571,029	(114,868)	1,481,660
	(542,206)	1,503,735	(496,483)	1,407,004

The notes on pages 6 to 16 form an integral part of these financial statements.

1 Nature of Operations and Going Concern

KWG Resources Inc. (the “Company”), an exploration stage company, is involved in the exploration of base and precious metals and diamonds and in the development of a transportation link to access the remote areas where these are located. It has interests in properties located in Canada at the exploration stage.

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

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

Management will continue to pursue all financing alternatives available to fund its ongoing 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, there would be significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2 Significant Accounting Policies

Basis of consolidation

These interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Debuts Diamonds Inc. (“DDI”), incorporated in Ontario, Canada on October 18, 2007, which owns all the issued and outstanding shares of SMD Mining Corporation (“SMD”) incorporated in Ontario, Canada in January, 2008 and Canada Chrome Corporation (formerly Chrome Canada Corporation) incorporated in Ontario, Canada on July 15, 2009.

Presentation

The interim consolidated financial statements of the Company have been prepared by management following the same accounting policies and methods of computation as the annual audited consolidated financial statements of the Company for the year ended December 31, 2009, except as noted hereafter. The disclosure provided hereafter is incremental to that included in the annual audited consolidated financial statements. These interim consolidated financial statements do not conform in all respects to the requirements of generally accepted accounting principles for annual audited consolidated financial statements and should be used in conjunction with the Company’s audited consolidated financial statements and notes thereto for the year ended December 31, 2009. Operating results for the three and nine month periods ended September 30, 2010 may not necessarily be indicative of the results that may be expected for the full year ending December 31, 2010.

Use of estimates
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Significant areas where management judgment is applied include asset valuations, future income taxes and compensation options. Actual results could differ from those estimates and such differences could be material.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, bank balances and short-term liquid investments with original maturities of three months or less.

Capital assets
Capital assets represent assets located at the corporate head office and at exploration site and are recorded at the acquisition cost. Amortization is computed using the straight-line method based on the following number of periods:

Computer equipment	-	2 years
Automobiles	-	3 years
Office furniture	-	5 years

Foreign currency translation
Monetary assets and liabilities in foreign currencies are translated into Canadian dollars at year-end exchange rates. Other assets and liabilities as well as items from the Consolidated Statements of Operations and Deficit are translated at the rates of exchange on each transaction date. Gains and losses on translation are included in the Consolidated Statements of Operations and Deficit.

New accounting policies
There have been no new accounting policies adopted in these unaudited interim consolidated financial statements. The volume of accounting pronouncements being introduced by The Canadian Institute of Chartered Accountants applicable to the Company has reduced significantly pending the transition to International Financial Reporting Standards.

Future accounting policies
There have been no additional future accounting changes from those reported in Note 3 to the 2009 Audited Financial Statements.

3 Capital Management

The capital of the Company consists of items included in the shareholder's equity of $30,910,052 as of September 30, 2010 ($18,768,697 as of December 31, 2009). In order to maximize its ongoing exploration activities, the Corporation will not pay any dividends in cash.

While the Company is not exposed to any external capital requirements, neither regulatory nor contractual, funds from the flow-through financing to be spent on the Company's exploration properties are restricted for this use.

Notes to Interim Consolidated Financial Statements (in Canadian dollars)

The Company's objectives while managing capital are to safeguard its ability to continue its operations as well as its acquisitions and exploration programs. As needed, the Company raises funds through private placements. The Company does not use long term debt financing since it does not generate operating revenues. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geological or economic potential and if it has adequate financial resources to do so.

There were no changes in the Company's approach to capital management during the period ended September 30, 2010.

4 Cash and Cash Equivalents

As at September 30, 2010, the Company is obliged to incur qualifying exploration expenditures of $428,348 by December 31, 2011 (December 31, 2009 – $1,433,801) for renunciations made to flow-through share subscribers in 2010.

5 Temporary Investments

The portfolio investments consist of common shares of publicly held companies that are available for sale and are recorded at fair value.

	Sept 30, 2010 (unaudited)	**Dec 31, 2009 (audited)**
Spider Resources Inc. ("Spider") (Note 17) 250,000 common shares, quoted market value of $47,500 (2009 − 250,000 common shares, quoted market value of $13,750)	15,000	15,000
Copper Mesa Mining (formerly Ascendant Copper Corporation) ("Mesa") 353,488 common shares, quoted market value of nil (i) (2009 – 353,488 common shares quoted market value of $17,674)	-	97,596
Strike Minerals Inc. ("Strike") 3,452,217 common shares, quoted market value of $155,350 (2009 – 3,452,217 common shares quoted market value of $103,567)	278,200	278,200
Cost	293,200	390,796
Unrealized loss	(90,350)	(255,805)
Fair value of temporary investments	202,850	134,991

(i) On February 19, 2010 the common shares of Copper Mesa Mining Corporation were delisted by the Toronto Stock Exchange. There is no available market value for these shares and, as a result, the Company has determined that the value of these shares has been permanently impaired. This loss has been recognized in these financial statements.

Notes to Interim Consolidated Financial Statements (in Canadian dollars)

6 Capital Assets

	Sept 30, 2010 (unaudited)			Dec 31, 2009 (audited)		
	Cost	Accumulated amortization	Net Value	Cost	Accumulated amortization	Net Value
Computer equipment	18,337	8,821	9,516	14,400	2,244	12,156
Automobiles	34,526	14,687	19,839	34,000	6,055	27,945
Office furniture	22,000	2,567	19,433	-	-	-
	74,863	26,075	48,788	48,400	8,299	40,101

7 Mining Assets

	Sept 30, 2010 (unaudited)	Dec 31, 2009 (audited)
Cost and deferred exploration expenses	30,596,595	18,256,842

Exploration properties

	Balance as at December 31, 2009 (audited)	Current Expendit-ures	Balance as at Sept 30, 2010 (unaudited)	Balance as at December 31, 2008 (audited)	Current Expendit-ures	Balance as at Sept 30, 2009 (unaudited)
Canada – Ontario						
Spider No. 1 / MacFadyen and Kyle	2,501,951	9,446	2,511,397	2,452,815	46,606	2,499,421
Spider No. 3 / McFaulds Lake	4,189,695	-	4,189,695	4,189,695	-	4,189,695
Wawa	156,944	-	156,944	156,944	-	156,944
Big Daddy (a)	4,760,372	1,303,133	6,063,505	1,999,374	834,613	2,833,987
Diagnos	97,865	91,255	189,120	97,865	-	97,865
Pele Mountain	479,278	6,850	486,128	352,532	238,875	591,407
Uniform Surround	7,950	-	7,950	7,950	-	7,950
East West option	404,246	-	404,246	393,222	4,085	397,307
Railway infrastructure (b)	2,897,437	10,929,069	13,826,506	-	1,508,515	1,508,515
Smelter Royalty	2,632,587	-	2,632,587	-	2,630,697	2,630,697
Victor West	119,979	-	119,979	-	-	-
Other	8,538	-	8,538	8,538	-	8,538
	18,256,842	12,339,753	30,596,595	9,658,935	5,263,391	14,922,326

(a) On March 27, 2009, the Company negotiated an amendment to the Freewest Option Agreement whereby the option earn-in calls for a $15 million, three-year commitment. As a result of this amendment, the Company is no longer required to prepare a bankable feasibility study within 18 months, as had been called for in the 2005 agreement. Under the amendment, KWG would have options for up to a $7.5 million commitment over the next three years, of which $2.5 million would be required to be spent before March 31, 2010. During the first quarter of 2010, Freewest was served with a notice that this first commitment had been met.

(b) During the first nine months of 2010, the Company, through its wholly-owned subsidiary Canada Chrome Corporation, continued to explore and develop a transportation link to the Company's properties in Northern Ontario. All costs related to this project have been capitalized.

Notes to Interim Consolidated Financial Statements (in Canadian dollars)

8 Share Capital

Authorized - An unlimited number of common shares

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

	Sept 30, 2010		Dec 31, 2009	
	Number of shares	Amount	Number of shares	Amount
Balance – Beginning of period	477,863,510	17,039,499	288,134,821	27,835,259
Issued for Canadian exploration expenses (ii)(iii)	61,557,308	7,694,664	67,489,920	4,086,845
Less: Value of warrants	-	(1,489,290)	-	(754,582)
Issued for working capital requirements (i)(iv)	26,882,390	3,332,799	80,334,056	4,825,226
Less: Value of warrants	-	(642,659)	-	(1,106,944)
Issued for acquisition of mining assets	-	-	15,000,000	970,000
Less: Value of warrants	-	-	-	(370,000)
Issued for commission	1,007,648	125,956	2,204,746	143,308
Less: Value of warrants	-	(24,379)	-	-
Issued following exercise of warrants and compensation options	21,048,350	2,729,576	24,699,967	1,458,649
Less: Value of warrants	-	-	-	(48,262)
Issued following exercise of stock options	1,190,000	119,000	-	-
Reduction of share capital issued	-	-	-	(20,000,000)
Balance – End of period	589,549,206	28,885,166	477,863,510	17,039,499

(i) On April 21, 2010 the Company completed a non-brokered private placement of 26,382,390 units for total consideration of $3,297,799. These units were issued at $0.125 each and comprised one common share of the Company and one-half of a common share purchase warrant exercisable at a price of $0.15 per warrant to acquire one common share for a period of two years.

The fair value of the purchase warrants included in the units was estimated using the Black-Scholes method based on the following assumptions: dividend yield of 0%, volatility of 100%, risk free interest rate of 1.3% and an expected life of two years. As a result, the fair value of the purchase warrants was estimated at $638,284 after a pro rata allocation of the fair value of the units' components.

(ii) On April 16, 2010 the Company completed a non-brokered private placement of 22,467,308 "flow-through" units for total consideration of $2,808,414. These units were issued at $0.125 each and comprised one flow-through common share of the Company and one-half of a common share purchase warrant exercisable at a price of $0.15 per warrant to acquire one common share for a period of two years. Finders' fees totalling $499,373 in cash and 1,007,648 compensation units were paid to eleven qualified parties. Each compensation unit was comprised of one non flow-through share and one-half of a common share purchase warrant exercisable at a price of $0.15 per warrant to acquire one common share for a period of two years.

The fair value of the purchase warrants included in the units was estimated using the Black-Scholes method based on the following assumptions: dividend yield of 0%, volatility of 100%, risk free interest rate of 1.08% and an expected life of two years. As a result, the fair value of the purchase warrants was estimated at $543,564 after a pro rata allocation of the fair value of the units' components.

Notes to Interim Consolidated Financial Statements (in Canadian dollars)

The fair value of the warrant portion of the agents' compensation units was estimated using the Black-Scholes method based on the following assumptions: dividend yield of 0%, volatility of 100%, risk free interest rate of 1.08% and an expected life of two years. As a result, the fair value of the purchase warrants was estimated at $24,379 after a pro rate allocation of the fair value of the units' components.

(iii) On March 31, 2010 the Company completed a non-brokered private placement of 39,090,000 "flow-through" units for total consideration of $4,886,250. These units were issued at $0.125 each and comprised one flow-through common share of the Company and one-half of a common share purchase warrant exercisable at a price of $0.15 per warrant to acquire one common share for a period of two years.

The fair value of the purchase warrants included in the units was estimated using the Black-Scholes method based on the following assumptions: dividend yield of 0%, volatility of 100%, risk free interest rate of 0.96% and an expected life of two years. As a result, the fair value of the purchase warrants was estimated at $945,726 after a pro rata allocation of the fair value of the units' components.

(iv) On February 23, 2010 the Company completed a private placement of 500,000 units at $0.07 per unit for a total consideration of $35,000. Each unit was comprised of one common share and one-half of a common share purchase warrant exercisable at a price of $0.10 per warrant to acquire one common share for a period of one year.

The fair value of the purchase warrants included in the units was estimated using the Black-Scholes method based on the following assumptions: dividend yield of 0%, volatility of 100%, risk free interest rate of 0.62% and an expected life of one year. As a result, the fair value of the purchase warrants was estimated at $4,375 after a pro rata allocation of the fair value of the units' components.

9 Warrants and Compensation Options

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

	Nine month period ended Sept 30, 2010			Year ended Dec 31, 2009		
	Warrants	**Compensation options**	**Amount**	**Warrants**	**Compensation options**	**Amount**
Issued						
Balance – Beginning of year	160,812,171	-	4,031,086	94,005,808	9,060,157	1,637,809
Issued as part of private placement of units (note 8(i)(ii))	44,219,849	-	2,131,948	84,030,583	-	1,861,526
Issued for acquisition of mining assets	-	-	-	15,000,000	-	370,000
Agent's compensation options	503,824	-	24,379	3,632,340	-	18,740
Exercised	(21,048,350)	-	(861,276)	(18,475,000)	(4,377,467)	(137,439)
Extension of warrants maturity date	-	-	-	-	-	660,000
Expired	-	-	-	(17,381,560)	(4,682,690)	(379,550)
Balance – End of year	184,487,494	-	5,326,137	160,812,171	-	4,031,086

Notes to Interim Consolidated Financial Statements (in Canadian dollars)

Outstanding common share purchase warrants entitle their holders to subscribe for an equivalent number of common shares.
A summary of the Company's outstanding warrants as at September 30, 2010 is presented below:

Number of warrants	Exercise price $	Expiry date
12,219,960	0.10	November 2010
6,852,373	0.10	December 2010
250,000	0.10	February 2011
19,545,000	0.15	March 2012
24,424,849	0.15	April 2012
503,824	0.15	May 2012
1,500,000	0.10	June 2012
1,000,000	0.10	July 2012
1,000,000	0.10	August 2012
29,327,809	0.10	October 2012
8,697,500	0.12	October 2012
4,135,000	0.15	December 2012
7,062,325	0.18	December 2012
26,518,854	0.10 U.S.	March 2014
15,000,000	0.10	July 2014
26,450,000	0.10	August 2014
184,487,494		

10 Stock Option Plan

On May 19, 2010 the shareholders of the Company approved the conversion of the Company's Employee Incentive Stock Option Plan into a rolling option plan pursuant to which a maximum of 10% of the number of issued and outstanding shares of the Company from time to time may be reserved and allocated for the granting of stock options.

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

Options at a fixed price

	Number of shares	2010 Average exercise price	Number of shares	2009 Average exercise price
Balance – Beginning of year	30,032,280	0.10	23,881,080	0.11
Granted	27,545,000	0.126	6,558,500	0.10
Exercised	(1,190,000)	0.10	-	-
Cancelled or expired	(530,500)	0.12	(395,100)	0.15
Balance – End of year	55,856,780	0.115	30,032,280	0.10

Notes to Interim Consolidated Financial Statements (in Canadian dollars)

The following table summarizes information about options outstanding and exercisable as at September 30, 2010:

Exercise price $	Number of options	Outstanding options Average contractual life (in years)	Exercisable options
0.10	22,401,780	1.72	21,132,343
0.12	5,410,000	2.16	5,410,000
0.125	26,045,000	4.60	9,766,875
0.14	1,500,000	4.67	562,500
0.15	500,000	2.06	500,000
	55,856,780		37,371,718

Total stock compensation costs for the period ended September 30, 2010 amounted to $1,461,774 (2009 – $40,736).

11 Contributed Surplus

	Sept 30, 2010 (unaudited)	Dec 31, 2009 (audited)
Balance – Beginning of year	3,258,431	2,626,615
Stock compensation costs (note 10)	1,461,774	252,266
Expiry of warrants	-	379,550
Balance – End of year	4,720,205	3,258,431

12 Accumulated Other Comprehensive Loss

	Sept 30, 2010 (unaudited)	Dec 31, 2009 (audited)
Accumulated other comprehensive loss - beginning of year	(255,805)	(225,574)
Latent gain/(loss) on temporary investments available for sale	67,859	(30,231)
Realized loss on shares of Copper Mesa	97,596	-
Accumulated other comprehensive loss - end of year	(90,350)	(255,805)

Notes to Interim Consolidated Financial Statements (in Canadian dollars)

	Nine month period ended Sept 30, 2010 (unaudited)	Year ended Dec 31, 2009 (audited)
Latent loss on temporary investments - beginning of year	(255,805)	(225,574)
Unrealized gain (loss) for the year on Spider investment	33,750	6,250
Unrealized gain (loss) for the year on Mesa investment	(17,674)	5,302
Realized loss for the year on Mesa investment	97,596	-
Unrealized gain (loss) for the year on Strike investment	51,783	(41,783)
Latent loss on temporary investments – end of year	(90,350)	(255,805)

With respect to the Company's investments, the latent loss on temporary investments available for sale adjustments represent the unrealized gain or loss on the Company's net investments (note 5).

13 Related Party Transactions

Related party transactions occurred in the normal course of business and were recorded at the exchange value, reflecting the consideration determined and agreed to by the parties. In the first nine months of 2010, officers and companies controlled by officers charged consulting fees totalling $213,482 (September 30, 2009 - $188,630) of which $11,566 remained payable at September 30, 2010 (September 30, 2009 - $nil) and directors of the Company and a company controlled by a director of the Company charged $198,095 (September 30, 2009 - $209,706) for professional consulting services and directors fees of which $nil remained payable at September 30, 2010 (September 30, 2009 - $170,000).

14 Financial Instruments

The Company is exposed to various financial risks resulting from both its operations and its investments activities. The Company's management manages financial risks. The Company does not enter in financial instrument agreements including derivative financial instruments for speculative purposes. The Company's main financial risk exposure and its financial risk management policies are as follows:

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

Credit Risks

It is management's opinion that the Company is not exposed to significant credit risks.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is subject to concentrations of credit risk through cash and accounts receivable. The Company reduces its credit risk by maintaining part of its cash in financial instruments guaranteed by and held with a Canadian chartered bank.

Foreign Exchange Risk

Foreign exchange risk is the potential adverse impact on earnings and economic value due to movements and volatilities in foreign exchange rates. The Company maintains cash denominated in US dollars and it also engages suppliers whose payments are required to be made in US dollars. As a result, the Company is exposed to US dollar fluctuations. As at September 30, 2010 US dollar denominated balances included cash of US$12,218 (US$932,246 in 2009) and accounts payable of US$146,423 (nil in 2009).

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. As at September 30, 2010, the Company did not have enough funds available to satisfy its obligations under accounts payable and accrued liabilities.

In the past few years, the Company has financed its liquidity needs primarily by issuing equity securities. As the Company is currently incurring operating losses, additional capital will be required to continue exploration activities on the properties (note 1).

Fair Value

Fair value estimates are made at the balance sheet date, based on relevant market information and other information about financial instruments.

As at both September 30, 2010 and December 31, 2009, all financial instruments (cash, accounts receivable, and accounts payable and accrued liabilities) have fair values which approximate their carrying values due to the relatively short period to maturity of the instruments. For temporary investments refer to note 5.

15 Commitments

Pursuant to flow-through financing agreements closed during the period ended September 30, 2010, the Company must incur an additional $428,348 in exploration expenses by December 31, 2011.

16 Termination of Combination Agreement

On July 2, 2010, the Company announced that Spider Resources Inc. (“Spider”) had terminated the Combination Agreement previously signed on June 14, 2010 among the Company, its wholly-owned subsidiary, 7569076 Canada Inc., and Spider. As a result of this termination Spider was required to pay a break-fee of $2,300,000 to the Company. This amount was received on July 5, 2010. All costs related to this Agreement have been expensed in these financial statements.

17 Subsequent Events

(a) On November 15, 2010 the Company announced that it had received conditional listing approval from the TSX Venture Exchange for a private placement of treasury shares to raise up to $3 million. The Company provided notice of the conditional listing approval to Cliffs Greene B.V. (“Cliffs”) which has the right to subscribe for the entire placement, or alternatively notify KWG that it will exercise its pre-emptive right to maintain its percentage interest only. The proceeds of the placement will be added to working capital to fund the drilling program at *Big Daddy* and ongoing engineering and assessment work on the feasibility of a railroad right-of-way by the Company.

On November 19, 2010 the Company announced that had allocated this private placement amongst its institutional and accredited investor shareholders who will subscribe $3 million for flow-through shares at $0.13 each. Cliffs Greene B.V. did not exercise its option to acquire the placement nor its pre-emptive right to participate.

(b) On November 17, 2010 the Company announced that it had notified Cliffs that it will accept its offer of $0.19 per share for all of its shares of Spider Resources Inc. (“Spider”). The acceptance of the offer by the Company effects a termination of its dissent in the recent amalgamation of Spider with a wholly-owned subsidiary of Cliffs, after Cliffs acquired 85% of Spider’s outstanding shares.