KWG RESOURCES INC.

(An exploration stage company)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2009

This management's discussion and analysis (the "MD&A") follows rule 51-102 of the Canadian Securities Administrators regarding continuous disclosure for reporting issuers. It is a complement and supplement to the annual and quarterly financial statements of KWG Resources Inc., ("KWG" or the "Company"), and should be read in conjunction with those statements. It represents the view of management on current activities and past and current financial results of the Company, as well as an outlook of the activities of the coming months.

DATE

This MD&A for the year ended December 31, 2009 is dated April 26, 2010.

FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements that are based on the Company's expectations, estimates and projections regarding its business, the mining industry in general and the economic environment in which it operates as of the date of the MD&A. These statements are reasonable but involve a number of risks and uncertainties, and there can be no assurance that they will prove to be accurate. Therefore, actual outcome and results may differ materially from those expressed in or implied by these forward-looking statements. The risk and uncertainties are further described in this MD&A and include risks inherent to mining exploration and development of its chromite, nickel, base metal group and the diamond group properties, fluctuating prices of base metal, operating hazards and risks, management and control, title to assets, government regulation, environmental factors, land claims, and the Company's ability to raise new capital when required. The Company cautions that this list of risks and uncertainties is not exhaustive.

COMPANY OVERVIEW

KWG is an exploration stage company that is participating in the discovery and delineation of chromite deposits in the James Bay Lowlands of Northern Ontario. These deposits appear to promise the hosting of a very long-lived and globally significant source of chromite minerals which may be refined into ferro-chrome, a principal ingredient in the manufacture of stainless steel. To capitalize on the discovery, KWG solicited Cliffs Natural Resources Inc (Cliffs) to take a 19.9% equity interest in the Company, with a pre-emptive option to maintain that equity level through subsequent dilutive issues. Cliffs is a renowned supplier of iron and coal to the steel-making industry and had published its desire to acquire chrome resources to diversify its business. With the capital subscribed by Cliffs, KWG acquired a 1% net smelter royalty (NSR) in all of the presently-defined chrome discoveries and created Canada Chrome Corporation (CCC) as a wholly-owned subsidiary. To further capitalize on the discoveries, CCC has staked mining claims covering a lineament of fluvial glacial eskers which are ideally suited as a host terrain on which a railroad embankment might be created for the movement of material into the discovery area and for the egress of mined ores by rail. Those mining claims are now being sampled for the creation of a geotechnical database to inform consultations with affected First Nations and all other local and regulatory constituencies on the feasibility of constructing such a railroad.

KWG has made representations for the Ontario Northland Transportation Commission to assume a leadership role in the creation of this transportation corridor on behalf of all stake-holders. The Company has also recommended to the incumbent Chief of one of the principally affected First Nations communities, a suggested formula through which the area's indigenous population might be vested with an economic interest in the transportation assets.

CCC and the NSR are owned outright by KWG, as is Debuts Diamonds Inc., a wholly-owned subsidiary into which all the Company's diamond exploration properties were transferred after the termination of a prior joint venture with Spider Resources Inc. (Spider) covering all their then mutually-held mineral assets (JV). When the JV was terminated the parties agreed to operate programs on their chosen properties independently until the non-operating party's interest was reduced to 33%. KWG has since operated the MacFadyen Kimberlites and other contiguous interests that are all adjacent to the De Beers Victor

Diamond Mine. Spider has since operated the McFaulds East and West VMS project (in which it gave UC Resources the right to earn up to 55%); the Kyle Kimberlites (in which it and KWG gave Renforth Resources the right to earn up to 60%); and, the Wawa diamond project. The Diagnos project was maintained under rotating operatorship on a 50/50 basis, as was the Freewest Option. The Freewest Option agreement enabled KWG and Spider together to earn a majority operating interest in a joint venture to be created with Freewest Resources Canada Inc. (Freewest), upon the option being fully exercised, in a group of contiguous mineral claims located in the “Ring of Fire” area of the James Bay Lowlands of Northern Ontario.

The Freewest Option property has now been demonstrated to host the Big Daddy chromite deposit and both KWG and Spider have each earned a 26.5% interest in it, thus providing each with options to earn another 1.5% this year and 2.0% next year for each incurring $2.5 million of additional exploration expenditures in each year. When those are completed a joint venture will be formed and its operator will be selected by the holders of a majority of the JV interests. The Freewest non-operating interest in the Big Daddy deposit as well as its adjacent Black Thor deposit are now the property of Cliffs after it recently acquired all of the outstanding shares of Freewest.

The Company is in the process of exploring its mineral property interests with the objective of identifying 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.

Management will continue to pursue all financing alternatives available to fund its ongoing obligations and exploration activities. Although there is no assurance that the Company will be successful in these actions, management is confident that it will be able to secure the necessary financing through the issuance of new equity to continue as a going concern. 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.

2009 HIGHLIGHTS

January 15th	Significant Chrome Intersections
January 21st	Option Agreement with Cliffs Natural Resources
February 11th	Analysis: “Ring of Fire” World Class Chrome Discovery
March 16th	Private Placement with Cliffs Completed
April 22nd	Ground Geophysics: 1.1 km Strike Length for Big Daddy
May 25th	All Warrants Extended
May 26th	KWG Graduates to Tier 1
July 16th	1% Chrome NSR Acquired
August 11th	Moe Lavigne made VP Exploration and Development
August 20th	Private Placement
September 14th	Freewest Option Amended
September 16th	Area of Interest with Spider Terminated
September 24th	Railroad Engineers Engaged
November 24th	Private Placement
December 7th	Big Daddy Analytical Results

RECENT DEVELOPMENTS

KWG has redirected its strategic objective to the development of the chrome project in northern Ontario. Significant recent developments since the third quarter 2009 MD&A dated November 24, 2009 are discussed below under the following headings:

- **(A) Private Placement Raises $3.1 Million**
- **(B) Resignation of Director, Appointment of New Director**
- **(C) Analytical Results Provided for the Big Daddy Chromite Prospect**
- **(D) $1.2 Million Received from Warrant Exercise**
- **(E) Canadian National Stock Exchange Listing**
- **(F) Private Placement to a Director**
- **(G) Closing of First Tranche of $10 Million Private Placement**
- **(H) Closing of Second Tranche of $10 Million Private Placement**
- **(I) Closing of Final Tranche of Private Placement Raises $11 Million**

(A) Private Placement Raises $3.1 Million

On December 7, 2009, KWG announced it completed a private placement of 47.5 million units for proceeds of $3.1 million. Each unit was comprised of one flow-through share and one-half common share purchase warrant. Each whole warrant may be exercised to purchase one common share from treasury at a price of $0.10 at any time within one year (a "Warrant"). Finders' fees totalling 2.2 million units were paid to five qualified parties and each such unit was comprised of one non flow-through share and one-half Warrant. All common shares acquired in both the flow-through and non flow-through units are subject to a four-month hold period.

Following the placements KWG had 453 million shares issued and outstanding and the Company therefore made application to list 11.2 million shares that may be issued from the exercise of stock options, upon shareholder ratification of the Board resolution increasing the plan limit to 40 million shares reserved for options.

(B) Resignation of Director and Appointment of New Director

On December 7, 2009, the Company announced the resignation of Michel Côté from its Board of Directors. On April 1, 2010, the Company announced that René R. Galipeau had been appointed to its Board of Directors to fill this vacancy. Mr. Galipeau is the Vice-Chairman and CEO of both Nuinsco Resources Ltd and of Victory Nickel Inc.

(C) Analytical Results Provided for the Big Daddy Chromite Prospect

On December 7, 2009, January 7, January 22, & February 16, 2010, KWG, along with Spider Resources Inc. and Freewest Resources Canada Inc. provided analytical results for holes assayed from drilling at the Big Daddy Chromite property.

The following table provides assay highlights for the recent program. Only those intersections that averaged greater than 35% Cr_2O_3 over significant widths are included in the highlight table. The chromite mineralization surrounding the highlighted massive chromite mineralization is typically of varying tenor, and consists of heavily disseminated plus / minus intercalated thin (centimetre scale) to thick (meter scale) beds of massive chromite mineralization. The amount of this mineralization that eventually may be included in the reserves will not be determined until a feasibility study is undertaken. For instance, in Hole 29, variable amounts of chromite mineralization were intersected between 67.4 and 323.8 metres (256.4 metres) however 108.5 metres averaged in excess of 35% Cr_2O_3.

Hole #	From (m)	To (m)	Length (m)	Pd (g/t)	Pt (g/t)	Cr_2O_3 (%)	Fe_2O_3 (%)	Cr:Fe
FW-09-24	73.5	80.3	6.8	0.26	0.23	41.01	21.10	1.90
	100.9	132.2	31.3	0.17	0.23	40.63	23.40	1.70
FW-09-25	232.1	270.4	38.3	0.17	0.24	42.17	21.35	1.93
FW-09-26	no significant assays							
FW-09-27	173.3	186.8	13.5	0.28	0.25	36.32	20.77	1.71
	208.0	246.8	38.8	0.20	0.22	42.99	20.99	2.00
	246.8	247.5	0.7	1.23	0.43			
FW-09-28	38.7	61.1	22.4	0.12	0.20	41.30	22.16	1.82
FW-09-29	117.0	136.0	19.0	0.50	0.23	40.02	19.92	1.97
	226.0	230.7	4.7	0.46	0.27	37.90	20.39	1.82
	234.8	244.3	9.6	0.32	0.39	38.33	19.70	1.90
	248.6	323.8	75.2	0.23	0.25	43.40	21.26	2.00
	323.8	325.5	1.8	1.69	0.49			
FW-09-30	24.1	32.8	8.7	0.26	0.26	40.92	22.61	1.77
FW-09-37	100.0	114.4	14.4	41.07	22.35	1.80	0.17	0.20
FW-09-38	372.0	381.8	9.8	37.28	21.25	1.72	0.21	0.28
	390.5	398.0	7.5	39.38	24.58	1.57	0.24	0.20
FW-09-41	234.0	235.5	1.5	36.41	28.53	1.25	0.31	0.17
	353.5	356.1	2.6	39.73	21.64	1.80	0.18	0.22
	441.0	460.5	19.5	37.28	23.92	1.52	0.32	0.25
FW-09-43	225.0	249.0	24.0	35.75	18.99	1.84	0.19	0.26
	260.0	317.0	57.0	40.52	20.73	1.91	0.22	0.24
FW-09-44	281.4	314.0	32.7	36.33	19.11	1.86	0.51	0.25
FW-09-46	54.1	64.7	10.6	41.45	19.70	2.06	0.16	0.20
FW-10-47	66.00	76.20	10.20	34.06	22.34	1.49	0.135	0.297
FW-10-48	8.90	10.75	1.85	40.44	21.13	1.87	0.276	0.521
	13.65	28.50	14.85	39.52	21.41	1.81	0.149	0.299
	126.20	132.00	5.80	37.79	20.84	1.77	0.205	0.218
	136.93	144.10	7.17	36.29	20.61	1.72	0.330	0.186
	148.00	180.40	32.40	42.51	21.52	1.93	0.233	0.137

True widths of the chromite mineralization have yet to be determined, as this is typically done once the geometry (attitude, dip and strike) of the entire mineralized body is determined. The systematic drill pattern was designed to delineate the Big Daddy Chromite Prospect along its entire strike length. The chromite mineralized intersections are quite variable in apparent width due to the geological nature of the intrusion.

(D) $1.2 Million Received from Warrant Exercise

On January 4, 2010 KWG advised that prior to the close of 2009 a total of 24.7 million treasury shares were issued upon the exercise of outstanding warrants for proceeds of $1.2 million.

(E) Canadian National Stock Exchange Listing

On January 4, 2010 the Company announced the listing of its shares on the Canadian National Stock Exchange under the symbol "KWG". *"We are committed to increased liquidity for our shareholders",* said CEO Frank Smeenk. *"The parallel listing of our shares on the CNSX is another positive step for the company and its shareholders."*

(F) Private Placement to a Director

On February 23, 2010 KWG announced the closing of a private placement of $35,000 of units of the Company at a price of $0.07 per unit, each comprised of one common share and one-half of a common share purchase warrant. Each full warrant is exercisable at a price of $0.10 to acquire one common share for a period of one year from the closing date. The placement was fully subscribed by one director of the Company.

(G) Closing of First Tranche of $10 Million Private Placement

On April 1, 2010 KWG reported that it had closed a first tranche, of a previously announced $10 million non-brokered private placement, through the sale of 39,090,000 units at $0.125 each for gross proceeds of $4,886,250. Each unit consists of one flow-through common share and one-half of a common share purchase warrant issued on a flow-through basis pursuant to the *Income Tax Act* (Canada). Each whole common share purchase warrant entitles the holder to purchase one non flow-through common share until March 31, 2012 at a price of $0.15. Finder's fees totaling $390,900 were paid. All securities issued pursuant to this private placement have a hold period of four months ending August 1, 2010.

(H) Closing of Second Tranche of $10 Million Private Placement

On April 16, 2010 KWG reported that it had closed the second tranche of the $10 million non-brokered private placement, through the sale of flow-through units at $0.125 each for gross proceeds of $2.8 million. Finder's fees totaling $224,673 were paid. Directors of KWG subscribed for $500,000 of the flow-through units.

(I) Closing of Final Tranche of Private Placement Raises $11 Million

On April 21, 2010 KWG reported that it had closed the final tranche of the non-brokered private placement through the sale of non-flow through units at $0.125 each for gross proceeds of $3.3 million to Cliffs Greene B.V. under its existing pre-emptive right to maintain its 19.9% interest in KWG's fully-diluted capital. In the result, the private placement raised a total of approximately $11 million.

OUTLOOK

Exploration Program

A resource definition core drilling program was underway during the fourth quarter and completed during the first quarter 2010. The program, consisting of a total of 8,981 metres (32 holes) was conducted to generate intercepts at 100 metre spacing to a depth of 250 metres. This spacing will be sufficient to produce a 43-101 compliant resource estimate over the 1.3 kilometre strike length of the Big Daddy chromite deposit, and is expected to be completed during the second quarter 2010. Subsequently, the Company intends to further delineate the Big Daddy chromite deposit by committing to a joint $5 million exploration program with Spider Resources. The expenditure of $2.5 million will earn each party a further 1.5% interest in the Big Daddy Joint Venture under the Freewest Option, and maintain the right for each to earn a further 2% interest for an equal expenditure in the following year. This would increase the Company's interest to 30%.

Railroad Route Analysis

Transportation access will be required to support the possible development of a large chromite mine and other properties in the James Bay Lowlands. The construction of a railroad is the most likely avenue to achieve this. The selection of railroad route alternatives, preliminary soil analysis and claim staking was completed during the 4th quarter. The initial terrain analysis by Krech Ojard & Associates, which generated several alternative routes for a railroad, was supplemented by flying a LIDAR survey on a preferred route located on higher ground. The resulting digital terrain model was the basis for creating a geometric alignment, and preliminary hydrology of water crossings. Golder Associates has initiated a geotechnical drilling program on the preferred alignment using two track mounted auger drills and three fly drills supported by four helicopters. Geophysical surveys are being conducted at water crossings. The field component of this program will be completed during the second quarter of 2010, followed by the completion of preliminary design of water crossing structures, preliminary hydrography and hydraulics, preliminary cost estimates and feasibility, and concept level construction schedule. Nuna Logistics has been engaged to develop a potential construction schedule to inform required consultations and such transportation feasibility study as may follow therefrom.

Debuts Diamonds

The Company's previously announced plan to effect a return of capital to its shareholders by delivery of the shares of Debuts Diamonds Inc, has been frustrated thus far by the inability to provide Debuts Diamonds with adequate capital for its independent undertakings as a reporting issuer with shares listed for trading on a stock exchange. Diamond production was curtailed at the De Beers Victor Mine, adjacent to the Company's MacFadyen Kimberlites. The curtailment of this diamond production has impacted the Company's ability to fund the project. It is hoped that a greater interest in the exploration potential of these properties may result from a recently improved diamond market and the resumption of increased production at the Victor Mine.

Ontario Throne Speech

On March 8th, 2010 the Ontario Government's Throne Speech made reference to the opportunity constituted in the developments in the Ring of Fire and promised the government's support for the development of these. This was unprecedented.

The Company has maintained its focus on its strategic planning to develop what it expects could become a North American ferrochrome supplier deposit as well as a route to export the materials. Exploration activities on the Freewest Option properties have been steady and progress is being made to understand the value of the deposit.

KWG's railway infrastructure project has been well timed and the need for a railway in the Ring of Fire seems compelling in order to make feasible what appear to be the economic potential of many of the area's discoveries made to date. KWG continues to raise funds for its subsidiary Canada Chrome Corporation to investigate and explore the railroad's feasibility and initiate an engineering plan.

OVERALL PERFORMANCE - FINANCIAL

During 2009, KWG greatly improved its financial situation with the closing of three private placements, both flow-through and non-flow through issuances, the conversion of a debenture to equity and through the exercising of a number of share purchase warrants. Through these transactions KWG issued 174,728,689 common shares and 86,560,550 share purchase warrants which provided the Company with total cash inflows for the year of $10,187,940. These funds have been used to finance the exploration work on the Freewest Option in the *Ring of Fire,* to identify and develop a proposed route for a railroad link to the *Ring of Fire* and for working capital. The proceeds from the issuance of flow-through units will be used for eligible flow-through exploration expenses and will be renounced for the 2009 taxation year.

Additionally, KWG completed the purchase of a 1% net smelter royalty in the Black Thor, Black Label and Big Daddy chrome discoveries in the James Bay lowlands for a cash consideration of $1,635,000 including $635,000 payable at the closing of the transaction and a further $1-million payable within one year, and the issuance of 15 million common shares and 15 million common share purchase warrants.

LIQUIDITY & CAPITAL RESOURCES

The main source of financing for KWG is the issuance of equity shares. 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, 2009, the Company had working capital of $471,754 (working capital was $1,294,914 as at December 31, 2008) including $2,056,751 in cash. This includes a $1 million liability accrued upon the purchase of the 1% net smelter royalty, which is due in July of 2010. The Company expects to fund this through the subscription by private placements of additional equity capital. The Company forecasts operating expenses of approximately $3 million for 2010. KWG currently does not have adequate working capital to finance its corporate and administrative activities for the entire 2010 year. However, the Company expects to raise additional funds through further equity financings throughout 2010 to cover these costs as well as its upcoming exploration programs.

RESULTS FROM OPERATIONS

The loss for the year ended December 31, 2009 amounted to $3,995,326 ($0.01 per share) compared to $11,131,901 ($0.04 per share) in 2008. The annual results and variances are explained as follows:

Income

Interest and other income amounted to $20,005 compared to $93,036 in 2008. The decrease in interest revenue is due to lower interest rates as well as lower cash reserves compared to 2008.

Expenses

Administrative Expenses

Administrative expenses for 2009 amounted to $2,708,367 compared to $1,030,819 for 2008. The main components of the administrative expenses variance of $1,677,548 are explained as follows:

- Included in the 2009 expenses is $470,000 paid to directors and officers upon the change of control constituted in the acquisition by Cliffs Greene B.V. of 19.9% of the Company's then outstanding shares. Included also is $500,000 paid as special bonuses to certain directors and officers of the Company as a result of exemplary accomplishments made during the year;
- The Company's wholly owned subsidiary Debuts Diamonds Inc. which became a reporting issuer in Ontario in late 2008, incurred administrative and corporate expenses amounting to $211,000 during the year compared to $336,000 in 2008;
- Increased salaries of $132,000, consulting fees of $192,000 and professional fees of $178,000 were incurred due to greater involvement of certain officers and outside consultants in relation to the reorganization and operation of the Company, joint-venture set-up and the private placements;
- Promotional and investor relations expenses increased by $167,000 as the Company focused on increasing its public awareness to enhance shareholder value; and
- Corporate expenses increased by $164,000 which included an increase in filing fees of $42,000 due to the number of private placement issuances and warrant redemptions during the year, increased overheads in the Toronto office of $92,000 and increased travel costs of $21,000.

Stock Compensation Costs

Stock compensation costs constitute a non-cash expense. During 2009, stock compensation costs amounted to $252,266 as compared to $448,037 in 2008. In October of 2009 the Company granted an additional 6,558,500 options. In 2008 3,379,700 options were granted and in 2007 11,310,000 were granted. The calculated cost of these stock options is recognized as an expense over the vesting period.

Warrants Extension Cost

During the year, the TSX Venture Exchange approved the amendment to the terms of 56,149,248 of the company's outstanding warrants, confirming the extension of warrants having expiry dates varying from June 18 to December 21, 2009 to new expiry dates varying from June 18 to December 21, 2012. The exercise price of the warrants was not amended. The cost of this extension was calculated to be $660,000 which was recorded as an expense for the year. There were no comparable transactions in 2008.

Loss on Foreign Exchange

During the year, the Company incurred a loss of $443,898 on the exchange and conversion of US dollars, as US dollars lost 21.0% value against the Canadian dollar during 2009. These US dollars were part of the cash received from private placements. Since the Company's operations are primarily carried on in Canadian dollars, KWG was not able to hedge against this loss. In 2008, the Company did not carry any US currency.

SELECTED FINANCIAL INFORMATION – THREE YEAR FINANCIAL HIGHLIGHTS

(Thousands of dollars, except amount per share)

	Fiscal years ended December 31		
	2009 $	2008 $	2007 $
Working capital	472	1,295	5,452
Total assets	20,730	11,502	22,514
Total income	20	211	28
Loss	(3,995)	(11,132)	(892)
Loss per share	(0.01)	(0.04)	(0.01)

SUMMARY OF QUARTERLY RESULTS

(Thousands of dollars, except amount per share)

Quarter	Total income ($)	Loss ($)	Loss per share (basic and diluted) ($)
December 31, 2009	2	(689)	<(0.01)
September 30, 2009	1	(949)	<(0.01)
June 30, 2009	14	(1,883)	<(0.01)
March 31, 2009	3	(474)	<(0.00)
December 31, 2008	87	(4,695)	<(0.02)
September 30, 2008	54	(333)	<(0.00)
June 30, 2008	25	(5,673)	<(0.02)
March 31, 2008	45	(431)	<(0.00)

FOURTH QUARTER RESULTS

During the fourth quarter of 2009, the company incurred a loss of $687,948 ($4,694,639 in 2008) which consisted mainly of ongoing administrative costs of $469,800 and stock compensation costs of $208,587 related to the granting of additional stock options.

COMMITMENT

Pursuant to flow-through financing agreements closed during the year ended December 31, 2009, the Company must incur $1,433,801 in Canadian exploration expenses by December 31, 2010. This requirement was met in early 2010.

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 2009, officers and companies controlled by officers were paid consulting fees totalling $172,787 ($238,244 in 2008) of which $nil remained payable at December 31, 2009 ($4,125 in 2008) and directors of the Company and a company controlled by a director of the Company were paid $85,699 ($68,768 in 2008) for professional consulting services.

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2009, the Company adopted the following guidance of the Canadian Institute of Chartered Accountants' Handbook ("CICA") Handbook.

CICA Handbook Section 3031, "Inventories", relates to the accounting for inventories and revises and enhances the requirements for assigning costs to and disclosure of inventories. The Company records all major spare parts inventory in Property, plant and equipment in accordance with CICA Handbook Section 3031. There was no impact on the financial statements as a result of adoption of this standard.

CICA Handbook Sections 3862, "Financial Instruments – Disclosures", and CICA Handbook Section 3863, "Financial Instruments – Presentation", replaces CICA Handbook Section 3861, "Financial Instruments – Disclosure and Presentation". During 2009, CICA Handbook Section 3862, Financial Instruments – Disclosures ("Section 3862"), was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurements.

Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives and provides guidance for the classification of related interest, dividends, losses and gains, and circumstances in which financial assets and financial liabilities are offset.

In March 2009, the CICA approved EIC 174, "Mining Exploration Costs". This guidance clarified when exploration costs related to mineral properties may be capitalized and, if exploration costs are initially capitalized, when should impairment be assessed to determine whether a write-down is required. The guidance further clarified what conditions indicate impairment. This guidance is applicable to financial statements filed after March 27, 2009. The Company has considered this guidance in assessing the value of its mineral properties and has determined that there is no impairment in value at December 31, 2009

FUTURE ACCOUNTING CHANGES

Business Combinations/Consolidated Financial Statement/Non-Controlling Interest

In January 2009, the CICA adopted sections 1582, "*Business Combinations"*, 1601*, "Consolidated Financial Statements"* and 1602*, "Non-Controlling Interest"* which superseded current sections 1581*, "Business Combinations"* and 1600*, "Consolidated Financial Statements".* These sections will be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted. If an entity applies these sections before January 1, 2011, it is required to disclose that fact and apply each of the new sections concurrently. These new sections were created to converge Canadian GAAP to International Financial Reporting Standards.

Goodwill and Intangible Assets – Section 3064

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3064 "Goodwill and Intangible Assets" which replaces "Goodwill and Other Intangible Assets." This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. It ensures that intangible assets meet the definition of an asset, and eliminates the "matching" principle, whereby certain costs were being deferred and expensed to match with revenue earned. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and Expenses during the pre-operating period. This change has no impact on the Company since it does not apply to extractive industries

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Corporation's reporting no later than in the first quarter of 2011, with restatement of comparative information presented. The conversion to IFRS will impact the Corporation's accounting policies, information technology and data systems, internal control over financial reporting, and disclosure controls and procedures. The transition may also impact business activities, such as foreign currency and hedging activities, certain contractual arrangements, debt covenants, capital requirements and compensation arrangements.

The Corporation has substantially completed the scoping and planning phase of its changeover plan and commenced the detailed assessment phase. The Corporation has designated the appropriate resources to the project to develop an effective plan and will continue to assess resource and training requirements as the project progresses. The Corporation has identified the following four phases of its conversion plan; scoping and planning, detailed assessment, operations implementation and post implementation. The scoping and planning phase requires obtaining stakeholder support for the project, identifying major areas and development of a project charter, implementation plan and communication strategy. The Corporation has substantially completed the scoping and planning phase. The detailed assessment phase ("Phase 2") will result in accounting policies and transitional exemption decisions, quantification of financial statement impact, preparation of shell financial statements and identification of business processes and resources impacted. The operations implementation phase ("Phase 3") includes the design of business, reporting and system processes to support the compilation of IFRS compliant financial data for the opening balance sheet at January 1, 2010, fiscal 2010 and thereafter. Phase 3 also includes ongoing training and updated processes for disclosure controls and procedures. Post implementation ("Phase 4") will include sustainable IFRS compliant financial data and processes for fiscal 2011 and beyond. The Corporation will continue to monitor changes in IFRS throughout the duration of the implementation process and assess their impacts on the Corporation and its reporting.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Mining Assets

Exploration properties include rights in mining properties and deferred exploration expenses. Exploration costs are deferred until the economic viability of the project has been established, at which time costs are added to mining properties. Costs are written off when properties are abandoned or when cost recovery is uncertain. Management has defined uncertainty as either there being no financial resources available from the Company or its joint venture partners for development of a mining property over a three-year period, or results from exploration work not warranting further investment.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the carrying value of the assets may not be recoverable, as identified by comparing their net book value to the estimated undiscounted future cash flows generated by their use and eventual disposal. Impairment is measured as the excess of the carrying value over the fair value, determined principally by discounting the estimated net future cash flows expected to be generated from the use and eventual disposal of the related asset. In the event that the Company has insufficient information about its exploration properties to estimate future cash flows to test the recoverability of the capitalized costs, the Company will test for impairment by comparing the fair value to the carrying amount, without first performing a test for recoverability.

Income Taxes

The Company provides for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between the accounting values and tax values of assets and liabilities using substantively enacted or enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse. The Company establishes a valuation allowance against future income tax assets if, based upon available information, it is more likely than not that some or all of the income tax assets will not be realized.

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. Prior to the current year, the Company did not have any financial assets or liabilities denominated in currencies other than Canadian, and was therefore not exposed to significant foreign exchange risk. However, since the transactions with Cliffs Natural Resources the Company now 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 now exposed to US dollar fluctuations. During 2009, the Company realized $443,898 in net foreign exchange losses. At December 31, 2009 US dollar denominated balances included cash of US$30,925 and accounts payable of US$272,720.

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 December 31, 2009, the Company had enough funds available to satisfy its obligations under accounts payable and accrued liabilities.

In the past few years, the Company 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.

RISKS INHERENT TO MINING EXPLORATION

The Company is engaged in the business of acquiring and exploring mineral properties in the hope of locating economic deposits of minerals. The Company's property interests are in the exploration stage only and are without a known body of commercial ore. Accordingly, there is little likelihood that the Company will realize any profits in the short to medium term. Any profitability in the future from the Company's business will be dependent upon locating an economic deposit of minerals. However, there can be no assurance, even if an economic deposit of minerals is located, that it can be commercially mined.

Regulation and Environmental Requirements

The activities of the Company require permits from various governmental authorities and are governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, environmental protection and other matters. Increased costs and delays may result of the need to comply with applicable laws and regulations. If the Company is unable to obtain or renew licenses, approvals and permits, it may be curtailed or prohibited from proceeding with exploration or development activities.

Capital Needs

The exploration, development, mining and processing of the Company's properties will require substantial additional financing. The only current source of future funds available to the Company is the sale of additional equity capital and the borrowings of funds. There is no assurance that such funding will be available to the Company or that it will be obtained on terms favourable to the Company or will provide the Company with sufficient funds to meet its objectives, which may adversely affect the Company's business and financial position. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration, development or production on any or all of the Company's properties or even a loss of property interest.

Commodity Prices

The market price of the Company's common shares, its financial results and its exploration, development and mining activities have previously been, or may in the future be, significantly adversely affected by declines in the price of precious or base minerals.

Uninsured Risks

KWG's business is subject to a number of risks and hazards, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the KWG's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Land Title

Although KWG has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged or impugned. Third parties may have valid claims against the KWG properties.

OTHER

National Instrument 51-102 - Section 5.3

Below is the detailed analysis of exploration expenditures incurred for the year ended December 31, 2009 with comparative figures for the year ended December 31, 2008.

Cost and deferred exploration expenses	**Year-ended December 31, 2009**	**Year-ended December 31, 2008**
	$	**$**
Balance – Beginning of the year	9,658,935	16,897,432
Acquisition, staking and permits	5,650,003	165,845
Write-down and write-off of mining assets	-	(1,900,130)
	5,650,003	(1,734,285)
Exploration expenses		
Drilling	1,211,890	2,051,619
Geology	848,873	-
Geophysics	147,843	391,078
Sampling	103,876	118,640
Consulting	127,129	451,672
Field preparation	3,811	5,859
Management	170,439	145,211
Line cutting and road	55,658	154,931
Camp expenses	121,641	105,914
Resource studies	43,809	-
Drafting	14,080	-
Planning	33,891	-
Fuel	45,955	-
Survey	19,009	-
Write-down and write-off of mining assets	-	(8,929,136)
	1,004,179	(5,504,212)
Balance – End of the year	$14,922,326	$9,658,935

National Instrument 51-102 - Section 5.4
Disclosure of Outstanding Share Data (as at December 31, 2009)

Common shares outstanding: 477,863,510

Warrants and compensation options outstanding: 160,812,171

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

Number of Warrants	*Compensation Options*	*Exercise Price $*	*Expiry Date*
2,000,000	-	0.10	August 2010
17,994,960	-	0.10	November 2010
5,750,000	1,102,373	0.10	December 2010
2,529,967	-	0.065	October 2011
200,000	-	0.10	May 2012
1,300,000	-	0.10	June 2012
1,000,000	-	0.10	July 2012
6,600,000	-	0.10	September 2012
26,476,923	-	0.10	October 2012
9,375,000	-	0.12	October 2012
4,135,000	-	0.15	December 2012
7,062,325	-	0.18	December 2012
22,224,784	-	0.05/0.10 U.S.	March 2014
9,310,839	-	0.05/0.10 U.S.	April 2014
15,000,000	-	0.10	July 2014
28,750,000		0.05/0.10	August 2014
159,709,798	**1,102,373**		

Options outstanding: 30,032,280 - average exercise price of $0.10

Number of Options		**Expiry Date**
530,500		April 2010
7,078,580		November 2010
300,000		April 2011
1,800,000		December 2011
2,690,000		June 2012
1,960,000		September 2012
500,000		October 2012
3,410,000		November 2012
2,000,000		December 2012
2,216,600		February 2013
588,100		May 2013
400,000		October 2013
6,558,500		October 2014

ADDITIONAL INFORMATION

Additional information on the Company is available through regular filings of press releases and quarterly financial statements on SEDAR (WWW.SEDAR.COM)