KWG RESOURCES INC.

(An exploration stage company)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED MARCH 31, 2010

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 period ended March 31, 2010 is dated May 31, 2010.

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 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 therefor; the formation of a joint venture with respect to the Big Daddy deposit; development and operational plans, objectives and budgets; the potential significance of the deposit at the Freewest Option property; the completion of a scoping study on the Big Daddy chromite deposit, the rail feasibility study (including the Company's plans to incorporate the logistics scenarios and cost estimate recommendations being developed into the proposed feasibility study) and the geotechnical drilling program with respect to the proposed railroad and the timing for completion of the field component of the program; the Company's expectation with respect to the ability of the proposed railway to support the viability of the Big Daddy chromite deposit and enhance the value of certain of the Company's other interests; the Company's expectations regarding completion of the Merger (as defined below) and the effect of the Merger on the Company's assets, financial condition and outstanding share capital; the transfer of certain assets to Debuts (as defined below) and the distribution of common shares of Debuts to the shareholders of the Company; the expected timing for the meeting of shareholders of Spider to consider the Merger; the expected timing for expiry of the Bid (as defined below) made by Cliffs (as defined below) for securities of Spider; mineral resource estimates; potential mineral resources; estimates relating to critical accounting policies; the Company's plans with respect to the conversion to IFRS, including the Company's expected timing for completing the phases of its plan and the development of an effective plan; the continuation of assessments relating to the impact of IFRS on, amongst other things, the Company and its reporting; the Company's plans for adopting and/or implementing changes to accounting policies and the impact of same on the Company's financial statements; 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.

The forward-looking information in this MD&A reflects the current expectations, assumptions or beliefs of the Company based on information currently available to the Company. With respect to forward looking information contained in this MD&A, the Company has made assumptions regarding, among other things, the Company's ability to successfully generate sufficient funds from capital markets to meet its future obligations as and when required, that the Merger is completed on the terms provided in the Letter Agreement (as defined below) and within the timing contemplated therein, the effectiveness of the Company's design relating to the implementation of IFRS, assumptions relating to the Company's critical accounting policies, the Company's business, the economy and the mineral exploration industry in general, the Company's ability to obtain, maintain, renew and/or extend required permits, licences, authorisations and/or approvals from the appropriate regulatory authorities; the Company's ability to continue to obtain qualified staff and equipment in a timely and cost-efficient manner to meet the Company's demand, and has also assumed that no unusual geological or technical problems occur, plant and equipment work as anticipated, that greater interest in the exploration potential of properties adjacent to the Company's MacFadyen Kimberlites will improve the Company's ability to fund the project, that the Company's railway project in the Ring of Fire will be economic, no material adverse change in the price of chromite and diamonds occurs and no significant events occur outside of the Company's normal course of business. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

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 realised or substantially realised, there can be no assurance that they will have the expected consequences to, or effects on, the Company. Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to: the failure of the Company and Spider (as defined below) to negotiate and enter into a definitive agreement with respect to the Merger; delays in either party obtaining or failing to obtain any required shareholder approval and/or regulatory approvals for the Merger (including the TSX Venture Exchange's approval of the Merger); alternative transactions involving third parties; the failure to achieve any of the anticipated benefits from the Merger; 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 licences, permits, authorizations and/or approvals from the appropriate regulatory authorities and other risks relating to the applicable regulatory framework; capital and operating costs varying significantly from estimates; inflation; changes in exchange and interest rates; adverse changes in commodity prices; the inability of the Company to obtain required financing; adverse general market conditions; the Company's inability to delineate additional mineral resources and delineate mineral reserves; future unforeseen liabilities and other factors including, but not limited to, those listed under "Risks Inherent in Mining Exploration" in this MD&A.

Any mineral resource figures referred to in this MD&A are estimates and no assurances can be given that the indicated levels of minerals will be produced. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Company believes that the mineral resource estimates in respect of its properties are well established, by their nature mineral resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. If such mineral resource estimates are inaccurate or are reduced in the future, this could have a material adverse impact on the Company. Due to the uncertainty that may be attached to inferred mineral resources, it cannot be assumed that all or any part of an inferred mineral resource will be upgraded to an indicated or measured mineral resource as a result of continued exploration.

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.

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 globally significant source of chromite minerals which may be refined into ferrochrome, a principal ingredient in the manufacture of stainless steel.

KWG acquired a 1% net smelter royalty (the "NSR") in all of the presently-defined chrome discoveries and created Canada Chrome Corporation ("CCC") as a wholly-owned subsidiary. CCC has staked mining claims covering a lineament of fluvial glacial eskers. These eskers are well suited for a railroad embankment which could be created for transporting materials into the discovery area as well as transporting the mined ores out. The claims have been sampled to create a geotechnical database to have foundational knowledge to be used for informed consultations, with affected First Nations and all other local and regulatory constituencies, on the feasibility of constructing 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. ("Debuts"), a wholly-owned subsidiary which contains all the Company's diamond exploration properties. KWG has operated the MacFadyen Kimberlites and other contiguous interests that are all adjacent to the De Beers Victor Diamond Mine.

The Freewest Option property has now been demonstrated to host the Big Daddy chromite deposit and both KWG and Spider Resources Inc. ("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. KWG intends to incur the additional expenditures necessary to earn the additional 3.5% interest in the Freewest Option property. The Freewest non-operating interest in the Big Daddy deposit as well as its adjacent Black Thor deposit are now the property of Cliffs Natural Resources Inc. ("Cliffs") after it recently acquired all of the outstanding shares of Freewest Resources Canada Inc. ("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.

2010 FIRST QUARTER HIGHLIGHTS

January 4th	$1.2 Million Received from Warrant Exercise
January 4th	Listed on CNSX
January 7th	Consistent Chromite Mineralization at Big Daddy
January 8th	Private Placement Announced
January 22nd	Big Daddy Drill Results Reported
February 16th	Big Daddy Drill Results Reported
February 23rd	Closing of Private Placement
March 5th	Big Daddy Drill Results Reported
March 19th	$10 Million Private Placement Announced

POST-QUARTER HIGHLIGHTS

April 1st	First Tranche of Private Placement Closed
April 1st	Rene Galipeau Appointed to Board
April 7th	Notified of Cliffs Participation in Private Placement
April 8th	Big Daddy Scoping Study and Rail Feasibility Study Proposed
April 16th	Second Tranche of Private Placement Closed
April 21st	Final Tranche of Private Placement Closed
May 3rd	Release of 43-101 Mineral Resource Estimate
May 25th	Proposed merger with Spider

RECENT DEVELOPMENTS & OUTLOOK

Exploration Program

KWG is maintaining its objective of developing the chrome project in northern Ontario. Significant recent developments since the 2009 Year End MD&A are discussed below.

(A) *Big Daddy* Scoping Study & Rail Feasibility Study Proposed

On April 8th, 2010, the Company advised that as of April 1st, 2010 it became Operator of the Freewest Option Project, under the terms of the Option Agreement with Spider and Freewest. Each of KWG and Spider currently hold a 26.5% interest in the Freewest Option Project which contains the *Big Daddy* chromite deposit and have the right to earn an additional aggregate 7% interest by spending $10 million or by delivering a positive feasibility study on or before March 31, 2012. As Operator, KWG proposed to Spider that KWG and Spider undertake a scoping and related resource definition study on the *Big Daddy* chromite deposit as part of their earn-in. The scoping study would be completed in conjunction with a feasibility study to be undertaken by KWG for construction of a railroad from the deposit to Exton, Ontario along claims held by KWG's subsidiary CCC.

"As KWG is undertaking a railroad feasibility study through its subsidiary Canada Chrome Corporation, we have an opportunity to demonstrate the economics of using a rail line to transport ore from the Ring of Fire to market" said KWG president Frank Smeenk. *"There are more than a few mineral discoveries around that are not economic because they have no transportation option. KWG therefore had Canada Chrome Corporation stake claims along terrain best suited to a railroad right-of-way. This proposed railway should support the viability of the Big Daddy deposit and enhance the value of our 1% Net Smelter Royalty interest in it and the Black Thor and Black Label deposits."*

CCC and its engineering firm Krech Ojard & Associates have recently engaged Nuna Logistics Limited, of Edmonton, Alberta, a leading Aboriginal logistics, mining and heavy civil contractor specialized in working in the far north, to develop logistics scenarios and cost estimates for the railroad construction program. KWG plans to incorporate those recommendations into the proposed feasibility study.

(B) Initial Resource Estimate for Big Daddy Reported

On May 3, 2010, the Company, along with Spider and Freewest, provided results from an initial resource estimate as prepared by Micon International Limited (“Micon”). The report meets the guidelines for reporting mineral exploration programs as set out in National Instrument 43-101, including a policy compliant resource estimate. This report was prepared at the request of the management of the Spider/KWG - Freewest Option Project, the cost of which was shared by Spider and KWG, as an independent estimate of the indicated and inferred resources encountered in drilling the Big Daddy chromite deposit, located in the McFaulds Lake area of Northern Ontario.

As explained in the report, the Big Daddy chromite deposit has been tested by 48 drill holes of NQ size core, on a ground grid with 100 metres spacing between sectional lines, with 2 to 4 holes per line testing the deposit with 50 metre to 100 metre pierce points on the vertical longitudinal section. The drill holes cover a strike length of one kilometre down to a maximum vertical depth of 365 metres (lowest drill hole intercept). The bulk of the chromite mineralization was found to be confined to the massive chromite domain but also occasionally occurs in the host peridotite, as disseminated, semi-massive or intermittent beds of chromite. The sectional interpretation of the continuity of various chromite domains shows that the Big Daddy deposit comprises two main segments aligned in a northeast trending mineralized envelope that Micon in discussion with Spider and KWG have designated BD1 and BD2.

The international demand for chromite is mainly for a metallurgical grade product which is around 40% Cr_2O_3 with a Cr:Fe ratio of generally around or greater than 2:1. Metallurgical grades of this nature command much higher prices than lower grade material. Worldwide, lower grade deposits are being exploited and profitably mined by reduction to metallurgical grade products. Thus, Micon presented Spider and KWG with two scenarios in their review of the Big Daddy deposit:

Scenario 1 focused on high grade massive (lumpy) material with little or no beneficiation required, this being a much more sought after type of deposit. Micon refers to this in the report as the Massive Chromite domain.

Scenario 2 defined a broader zone of chromite mineralization that may be exploitable by open pit mining, but requiring beneficiation to upgrade to meet certain market demands.

The chromite resources at Big Daddy have been estimated for the Massive Domain, as well as for the broader zone that Micon constrained to 15% Cr_2O_3 cut-off but including internal waste. The mineral resources were estimated by Micon in accordance with the definitions contained in the CIM Definition Standards on Mineral Resources and Mineral Reserves that were prepared by the CIM Standing Committee on Reserves Definitions and adopted by the CIM Council on December 11, 2005.

The mineralized material was classified into either the Indicated or Inferred mineral resource category on the basis of a combination of the following factors: (a) confidence in the geological and mineralization continuity, (b) position of blocks in relation to the range of influence as defined by the variographic analysis and (c) and the search ellipse ranges.

Summary of the Big Daddy Massive Chromite Resources
(effective date: March 30, 2010)

Deposit/Code	Category	Cr_2O_3% Interval	Tonnes x 10^6	Avg. Cr_2O_3%	Cr/Fe Ratio
BD 1 (100)	Indicated	25.0 – >35.0	13.4	40.49	2
BD 2	Indicated	25.0 – >35.0	9.8	40.88	2
Grand Total	**Indicated**		**23.2**	**40.66**	**2**
BD 1 (100)	Inferred	25.0 – >35.0	7.2	38.48	2
BD 2	Inferred	15.0 – >35.0	9.1	39.57	2
Grand Total	**Inferred**		**16.3**	**39.09**	**2**

(Includes minimal waste within the tightly constrained massive Cr_2O_3 domain)
Note: The tonnages have been rounded to 1 decimal for grand totals.

Summary of the Big Daddy Chromite Deposit @ 15% Cr_2O_3 Cut-off
(effective date: March 30, 2010)

Deposit/Code	Category	Cr_2O_3% Interval	Tonnes x 10^6	Avg. Cr_2O_3%	Cr/Fe Ratio
BD 1 (100)	Indicated	0.01 – >35.0	15.5	39.05	2
BD 2	Indicated	0.01 – >35.0	10.9	39.82	1.9
Grand Total	**Indicated**		**26.4**	**39.37**	**2**
BD 1 (100)	Inferred	0.01 – >35.0	10.1	36.4	1.9
BD 2	Inferred	0.01 – >35.0	10.4	38.51	2
Grand Total	**Inferred**		**20.5**	**37.47**	**1.9**

(Includes internal waste within the 15% Cr_2O_3 envelope)
Note: The tonnages have been rounded to 1 decimal for grand totals.

Micon further reports that the geological observations and interpretation, statistical analysis and spatial analysis of the data demonstrate a high level of continuity in the mineralization both in the lateral and vertical sense. The broad zone of continuity is clearly defined to justify the bulk of the deposit being categorized as Indicated.

The portion of the deposit below the -220m and -160m elevation (for BD1 and BD2 respectively), as well as all of the satellite bodies whose geological continuity is somewhat questionable, have been categorized as Inferred. The bulk of the Inferred category of the major components of the deposit remains to be drill tested. The lower limit of the inferred resource (being 600 m below surface) is considered very prudent. The interpretation is based on the large thicknesses of the massive chromite encountered in the line of the deepest holes suggesting that at between 350 m and 400 m depth, the deposit is not narrowing at depth, and is also consistent with a Magnetic 3D inversion which suggests that the ultramafic rocks hosting the chromite mineralization extend to a depth of +/- 1,700 metres.

Micon further reports that in order to upgrade the resource from indicated and inferred to the "measured category", a few strategically positioned drill holes will be required.

Whilst additional resources may be discovered by deeper drilling, Micon believes that the optimal economic depth for mining should be determined before such drilling is undertaken. Thus in the short to medium term, additional drill programs are not necessarily a priority.

The "qualified persons" (as such term is defined in National Instrument 43-101) responsible for the initial mineral resource estimates for the Big Daddy deposit as set out above are Messrs. Richard Gowans, P.Eng., Alan J. San Martin, MAusIMM and Charley Murahwi, MSc., P.Geo., MAusIMM, each of whom was an employee of Micon at the time the mineral resource estimates were prepared.

A technical report with respect to the initial mineral resource estimates for the Big Daddy deposit as set out above will be filed on SEDAR shortly at www.sedar.com.

(C) PROPOSED MERGER WITH SPIDER

The Company and Spider have entered into a binding letter agreement dated May 25, 2010 (the "Letter Agreement") with respect to the proposed merger of the two corporations (the "Merger"), following which the shareholders of each corporation will hold 50% of the outstanding shares of the ongoing public corporation. It is anticipated that the Merger will be effected by way of a three cornered amalgamation under the *Canada Business Corporations Act*, pursuant to which Spider will amalgamate with a newly-incorporated, wholly-owned subsidiary of KWG to become a wholly-owned subsidiary of KWG. Under the terms of the Merger, all of the outstanding common shares and, subject to regulatory approval, common share purchase warrants, stock options and compensation options of Spider will be exchanged for the respective corresponding securities of KWG based on the exchange ratio provided for in the Letter Agreement. Following the completion of the Merger, the Company will hold a 53% in the Big Daddy deposit and an option to earn a further 7% to achieve a 60% interest in the deposit.

Prior to the completion of the Merger, KWG intends to transfer its interest in the railway right of way currently held by KWG's wholly-owned subsidiary, CCC, in the NSR and cash in an amount to be agreed upon between KWG and Spider to Debuts, in exchange for Debut's interest in various diamond exploration projects and a number of common shares of Debuts to be specified, and intends to distribute all of the outstanding common shares of Debuts to the shareholders of record of KWG.

Completion of the Merger is expected to occur by July 16, 2010 and is subject to a number of conditions, including, but not limited to, confirmatory due diligence, the negotiation and execution of a definitive agreement, the receipt of all required regulatory approvals, including the approval of the TSX Venture Exchange, and approval of the shareholders of Spider. The Merger is expected to be submitted to the shareholders of Spider for consideration and approval at a special meeting which has been scheduled to be convened on July 8, 2010.

Pursuant to the Letter Agreement, if the Merger is not completed as a result of (among other things) a party completing an alternative transaction (as contemplated in the Letter Agreement) or if such party is subject to a take-over bid initiated by a third party which is completed in whole or in part, then such party will be required to pay the other a break fee of $2.3 million. This break fee will also be payable by Spider to KWG if KWG terminates the Letter Agreement following the failure by

Spider to mail a proxy circular and related documents in respect of the Merger to its shareholder on or before June 21, 2010. KWG and Spider have further agreed that, in certain other circumstances, Spider will pay a break fee to KWG of $1.1 million or, KWG will pay a break fee to Spider of $1.4 million.

On May 24, 2010, Cliffs announced that it intends to make take-over bids for all of the issued and outstanding common shares (not already owned by Cliffs or its affiliates) of KWG and/or Spider for cash consideration of $0.13 per share and that neither bid would be conditional upon the completion of the other. On May 31, 2010, Cliffs commenced a take-over bid (the "Bid") for all of the outstanding common shares and rights associated therewith under the shareholder rights plan of Spider (collectively, the "Spider Common Shares") at a price of $0.13 per Spider Common Share. The Bid will expire at 5:00 p.m. (Eastern time) on July 6, 2010, unless withdrawn, varied or extended, and is subject to certain conditions. The board of directors of KWG has formed an independent special committee to consider a formal bid by Cliffs for KWG when and if made.

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 has been completed. 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 is expected to be completed during the second quarter of 2010, which is expected to be 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, has been frustrated thus far by the inability to provide Debuts 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.

Qualified Person

Maurice J. Lavigne, P.Geo., KWG's Vice-President of Exploration and Development, is the "qualified person" (as such term is defined in National Instrument 43-101) responsible for the technical information in this MD&A other than the Big Daddy deposit mineral resource estimates. Mr. Lavigne has reviewed and approved such technical information.

OVERALL PERFORMANCE - FINANCIAL

During the first quarter ended March 31, 2010, the Company improved its financial situation with the closing of a private placement with total subscriptions of $4,886,250. The net proceeds of the private placement have been used to finance the exploration work on the Freewest Option in the *Ring of Fire,* to continue its work to develop a proposed route for a railroad link to the *Ring of Fire* and for working capital. The proceeds from the flow-through Units will be used for eligible flow-through exploration expenses and will be renounced for the 2010 taxation year.

The Company has maintained its focus on its strategic planning to develop what it expects could become a major North American ferro-chrome supplier deposit as well as a route to export the materials.

Exploration activities on the Freewest optioned 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 highly economic. KWG continues to raise funds for its subsidiary CCC to develop the engineering plan to accomplish this goal.

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 March 31, 2010, the Company had a working capital deficiency of $2,677,870 (working capital of $471,754 as at December 31, 2009) including $3,712,118 in cash. Subsequent to the March 31, 2010 quarter end, the Company's working capital was increased by $6.1 M through the closing of both flow-through and non-flow-through private placements. 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

During the three-month period ended March 31, 2010 the Company recorded an operating profit of $506,828 ($0.00 per share) (loss of $474,576 in the first quarter of 2009 ($0.00 per share)). This profit includes the recording of a future income tax recovery in the amount of $1,022,000 ($105,000 in the first quarter of 2009) related to the renunciation to investors of resource expenditure deductions for income tax purposes. In accordance with its accounting policy, the related charge was accounted for as an increase in the deficit through share issue expenses. The quarterly pre-tax loss decreased mainly due to a gain on foreign exchange. The period results are explained as follows:

Income

Interest income amounted to $978 compared with $3,165 in the first quarter of 2009. This decrease in interest revenue is due to a lower average level of cash on hand during the period compared to 2009 and lower interest rates.

Expenses

Administrative Expenses

Administrative expenses for the first quarter of 2010 amounted to $489,879 compared to $480,064 for the first quarter of 2009. While the overall balances were fairly consistent between the years the following discusses variances in the main components of the administrative expenses:

- The Company's wholly owned subsidiary Debuts, which became a reporting issuer in Ontario in late 2008, incurred administrative and corporate expenses amounting to $1,719 for the first quarter of 2010 compared to $114,000 for the first quarter of 2009 as Debuts has been virtually inactive;
- Increased salaries of $105,000, directors fees of $6,000 and consulting fees of $17,000 were incurred due to greater involvement of certain officers, directors and outside consultants in relation to the reorganization and operation of the Company and the private placements;
- Professional fees decreased by $18,000 during the first quarter of 2010 versus the first quarter of 2009.
- Promotional and investor relations expenses decreased by $9,300 as the Company focused on increasing its operating efficiencies in this area; and
- Corporate expenses increased by $22,000 which included a decrease in filing fees of $25,000 due to a greater number of private placement issuances in the first quarter of 2009, increase in expenditures of

$4,000 on seminars and conferences, increased overheads in the Toronto office of $39,000 and increased travel costs of $4,000.

Stock Compensation Costs

Stock compensation costs constitute a non-cash expense. Stock Compensation Costs for the first quarter of 2010 totalled $67,823 compared with $29,466 for the first quarter of 2009. This resulted from the issuance of new stock options in the latter part of 2009 which vest throughout 2010 and early 2011. The calculated cost of these stock options is recognized as an expense over the vesting period.

Foreign Exchange Gain (Loss)

For the first quarter of 2010, the Company realized a foreign exchange gain of $47,187 compared to a loss of $25,711 in the comparable period of 2009. This was a result of the Company holding a net negative US working capital balance throughout the first quarter while the Canadian dollar strengthened against its US counterpart.

SUMMARY OF QUARTERLY RESULTS

(Thousands of dollars, except amount per share)

Quarter	Total income ($)	Income (loss) ($)	Income (loss) per share (basic and diluted) ($)
March 31, 2010	1	507	<0.01
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)

The higher losses in certain quarters are attributable mainly to mineral property write-offs during such quarters.

The foregoing financial data has been prepared in accordance with Canadian GAAP and the reporting currency of such financial data is Canadian dollars.

COMMITMENTS

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

Pursuant to flow-through financing agreements closed during the period ended March 31, 2010, the Company must incur $4,886,250 in exploration expenses by December 31, 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 the first quarter of 2010, officers and companies controlled by officers charged consulting fees totalling $61,438 (March 31, 2009 - $70,952) of which $35,761 remained payable at March 31, 2010 (March 31, 2009 - $31,898) and directors of the Company and a company controlled by a director of the Company charged $30,728 (March 31, 2009 - $58,300) for professional consulting services and directors fees of which $nil remained payable at March 31, 2010 (March 31, 2009 - $nil).

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.

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. 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 March 31, 2010 US dollar denominated balances included cash of US$398,163 (US$30,925 in 2009) and accounts payable of US$3,098,983 (US$272,720 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 March 31, 2010, the Company did not have enough funds available to satisfy its obligations under accounts payable and accrued liabilities due at that time. However, this was rectified through the issuance of new equity in April 2010.

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.

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. While the Company has been successful in raising such financing in the past, the Company’s ability to raise additional financing may be affected by numerous factors beyond the Company’s control, including, but not limited to, adverse market conditions and/or commodity price changes and economic downturn and those other factors listed under this “Risks Inherent to Mining Exploration” section of this MD&A. Global securities markets are currently experiencing volatility, which may result in difficulty in raising equity capital and market forces may render it difficult or impossible for the Company to secure purchasers of the Company’s securities at prices which will not lead to severe dilution to existing shareholders, or at all. 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 three months ended March 31, 2010 with comparative figures for the year ended December 31, 2009.

Cost and deferred exploration expenses	**Three months ended March 31, 2010**	**Three months ended March 31, 2009**
	$	**$**
Balance – Beginning of the year	18,256,842	9,658,935
Acquisition, staking and permits	6,922,951	7,042
Exploration expenses		
Drilling	361,486	824
Geology	149,040	148,709
Geophysics	2,715	23,527
Sampling	-	1,881
Consulting	7,056	27,008
Field preparation	-	3,515
Management	7,309	5,440
Line cutting and road	8,209	27,882
Camp expenses	28,104	52,463
Resource studies	1,221	-
Drafting	2,846	-
Planning	10,635	-
Fuel	-	-
Survey	9,463	-
	588,084	291,249
Balance – End of the period	$25,767,877	$9,957,226

Administrative expenses	**Three months ended March 31, 2010**	**Three months ended March 31, 2009**
	$	$
Advertising & Promotion	7,740	6,660
Audit Fees	15,000	34,800
Consultant's Fees	111,223	93,908
Debuts Diamonds Inc	1,719	113,992
Directors Fees & Insurance	15,409	9,800
Filing Fees	10,150	35,125
Investor Relations Fees	35,937	46,296
Legal Fees	74,540	72,958
Office Overhead	51,303	12,372
Salaries	150,259	45,616
Seminars & Conferences	3,950	-
Travel & Accommodation	12,650	8,536
Total Administrative Expenses	$489,879	$480,064

National Instrument 51-102 - Section 5.4
Disclosure of Outstanding Share Data (as at March 31, 2010)

Common shares outstanding: 477,863,510

Warrants and compensation options outstanding: 178,243,325

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
250,000	-	0.10	February 2011
2,453,044	-	0.065	October 2011
19,545,000	-	0.15	March 2012
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
24,190,000	-	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
177,140,952	**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 on SEDAR (WWW.SEDAR.COM)