KWG RESOURCES INC.

(An exploration stage company)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED DECEMBER 31, 2011

This management's discussion and analysis (the "MD&A") should be read in conjunction with the annual financial statements of KWG Resources Inc., ("KWG" or the "Company").

DATE

This MD&A for the year ended December 31, 2011 is dated April 30, 2012.

COMPANY OVERVIEW

Soon after diamonds were first discovered in Canada, KWG in 1993 formed an alliance with Spider Resources Inc. ("Spider") to explore for diamonds in the James Bay Lowlands of Northern Ontario. This was an area known to have potential to host diamond-bearing kimberlite intrusions. However, it was impossible to explore by conventional prospecting methods as all host rock there is covered by the limestone of a former sea-bed which is now receded to the world's largest wetlands of bogs and lakes. The partners therefore determined to use airborne surveys to locate targets that were analogous to the new discoveries in the North West Territories. One of these large regional aerial surveys included much of a subterranean crescent formation that has now been named the *Ring of Fire.* A diamond drill hole completed there by De Beers in 2001, under an option agreement with KWG and Spider, discovered a copper and zinc occurrence. This first confirmation of the crescent's mineralized character resulted in much additional exploration activity culminating in a substantial nickel discovery by Noront Resources Ltd. and then, in 2007, two very significant discoveries of large near-surface emplacements of very high-grade chromite at the *Black Thor* deposit of Freewest Resources Canada Inc. and at the *Big Daddy* deposit on adjoining claims optioned from Freewest by KWG, which it was then required to share equally with Spider under a prior "area of interest" covenant.

To be able to continue to earn its interest in the *Big Daddy* deposit, KWG solicited an equity investment from Cliffs Natural Resources Inc. ("Cliffs"), which then became a 19.9% shareholder of KWG and nominated a representative to the KWG Board of Directors. KWG soon afterward purchased an existing underlying royalty interest in the area's deposits and formulated a plan to stake claims along a series of sand ridges to provide the *Big Daddy* joint venture with exclusive mineral title to land over which its chromite might be equipped for further exploration and development. A technical assessment of these claims was then completed to provide a data base of geotechnical characteristics and glacial till sample profiles. The value of this work was accepted for assessment credit and an application is now being made to bring the claims to lease.

Recently, Cliffs has made application under the Public Lands Act for an easement to build a road for the purpose of developing *Black Thor,* on the claims KWG is bringing to lease for the purpose of making economic the *Big Daddy* joint venture's undertakings. KWG had previously completed a preliminary economic assessment of the *Big Daddy* project to comply with the requirements of the Ontario Securities Act for public disclosure of the discovery's economic merits. The Cliffs application to the Ministry of Natural Resources, which administers the Public Lands Act, was referred to the Ministry of Northern Development and Mines, which administers the Mining Act, and under the provisions of which KWG staked the claims and conducted assessment work. The Ministry of Northern Development and Mines then referred the matter to the Mining and Lands Commissioner of Ontario. The Mining and Lands Commissioner then ordered that Cliffs provide KWG with the applicant's case and evidence, so that KWG might have an opportunity to respond. KWG's management is of the view that the outcome of this process will confirm that the Crown may not effect an expropriation from a minority joint-venturer in order to prefer the exclusive interest of the majority joint-venturer.

KWG's former diamond exploration assets were spun-out to the Company's shareholders in December 2011, as a return of capital to reduce the cost base of their KWG shares, by way of the distribution of the shares of Debut Diamonds Inc. ("DDI"). KWG also liquidated its interest in the area's underlying royalty, for cash, to arm itself with substantial working capital. When Cliffs recently acquired from UC Resources the option to earn an 85% interest in the McFaulds Lake joint venture, KWG waived its option to participate to enable Cliffs to now incur expenditures to a total of $24 million in that joint venture to earn its majority interest.

HIGHLIGHTS

During and subsequent to the year ended December 31, 2011, the Company:

Corporate

- Special Meeting of Shareholders convened in Montreal and concluded in Toronto.
- Articles of Continuance adopted under the Canada Business Corporations Act.
- Announced a normal course issuer bid for the purchase of up to 31.9 million common shares.
- Theresa Okimaw-Hall joined Canada Chrome Corporation ("CCC"), a wholly owned subsidiary of KWG, as Executive Director.
- Assisted the United Way of Thunder Bay & Wasaya Group/Wasaya Wee-Chee-Way-Win Inc., with sourcing donations for the creation of Cromarty H.S. residences.
- Completed a flow-through private-placement for proceeds of $1,750,000.

Exploration

- The metallurgical drilling program completed 1,909m of HQ drilling in nine (9) boreholes and concluded on October 22, 2011.
- A bulk sample consisting of massive chromitite with a mass of 4,600kg was transported to Xstrata Process Support in Falconbridge, Ontario.
- The resource delineation drilling program completed an aggregate total of 7,754m of NQ drilling in 23 boreholes.

CCC

- Received final approval from the Ministry of Northern Development & Mines on the filing of $7,540,987 of assessment work on 241 claims comprising its transportation corridor, which now allows CCC to apply for 21-year mining leases on those blocks.

DDI

- Distributed the DDI shares as a dividend to the holders of KWG shares of record on Thursday, December 15, 2011. For every 100 shares of KWG then held, shareholders received 6 shares of DDI on December 28, 2011.

OUTLOOK

The management of KWG is of the view that the Company's assets will prove to be catalytic in the development of mining in the *Ring of Fire,* in the very near term. The achievement of that will entail the area's First Nations seeing a realization of their aspirations being won from supporting the development of a railroad for long term mineral exploitation. It is encouraging that the leadership of those First Nations most directly affected appear able to achieve the consensus required for consent to these developments, which will constitute substantial change to traditional usages from time beyond memory.

It is our opinion that the chromite deposits of the *Ring of Fire* have a combined life equal to an appropriate amortization period for the cost of an infrastructure asset such as a railroad; perhaps

100 years or more. When that term is combined with the present historic low cost of the capital required to construct such an undertaking, the unit cost for projected usage is exceedingly modest when compared to all available alternatives. We believe that these financial imperatives will combine with an informed mobilization of indigenous people's support, to achieve broad-based resource revenue sharing for them, and rationally funded infrastructure development for the area's mineral tenants. We expect that our mineral interests will become highly fungible as a result of being in the vanguard of these developments.

OVERALL PERFORMANCE – FINANCIAL

During the year ended December 31, 2011, the Company greatly boosted its liquid cash reserves through the sale of the 1% NSR as disclosed in the MD&A for the second quarter. This sale generated gross proceeds of US$18,000,000 which equated to $16,820,000 in Canadian dollars after related costs were deducted. The receipt of this cash means that the Company has sufficient funds to meet its ongoing expenditures well into the foreseeable future. The Company also raised $2,935,600 during 2011 though two private placements, the proceeds of which will be used to fund ongoing exploration activities. The Company's other cash inflows were minimal and consisted of interest income and a recovery of administrative expenses both from an unrelated company and DDI. Regular expenditures for the year were lower than originally projected due to the planned curtailment of some of the Company's activities. Additionally costs were incurred related mostly to the sale of the 1% NSR.

The Company has maintained its focus on its strategic planning to develop what it expects could become a major North American ferro-chrome supplier deposit as well to explore and build a route to transport materials to the mine site. The value of the deposit has been determined by the PEA and exploration activities on the *Big Daddy* property have progressed steadily.

KWG's railway infrastructure project has been well timed and the need for a railway in the *Ring of Fire* seems highly economic. Meetings with government and First Nations officials are ongoing to determine a mutually beneficial result. As well, KWG continues to explore the available funding mechanisms that can be employed to continue development of the railroad link to the *Ring of Fire*.

LIQUIDITY & CAPITAL RESOURCES

The main source of financing for KWG is the issuance of equity shares and sale of non-core assets. Each of KWG's projects has demonstrated sufficient evidence of geological merit to warrant additional exploration. However, it is not presently possible to estimate the cost of further exploration programs, which may or may not bring individual properties to a subsequent stage of development, since they are all exploration projects and their development depends on the results of exploration. On December 31, 2011, the Company had working capital of $19,095,299 ($2,293,271 as at December 31, 2010) including $16,030,551 in cash and cash equivalents ($3,261,057 in 2010). The Company forecasts operating expenditures of approximately $2.4 million for fiscal 2012 and flow-through expenditure requirements of $1.75 million. The Company's current cash reserves which result mainly from the sale of the NSR interests are sufficient to provide for its working capital requirements and existing commitments in the short term. Also, see note 23 to the consolidated financial statements for commentary on the Company's commitments and contingencies. However, management will continue to pursue all financing alternatives available to fund its future obligations and exploration activities. There is no assurance that the Company will be successful in these actions. Should the Company not be able to obtain the necessary financing, the Company would not have the ability to meet its obligations as they come due. These circumstances may cast significant doubt to the Company's ability to continue as a going concern. The Company invests its unexpended cash in highly-liquid, rated financial instruments.

RESULTS FROM OPERATIONS

During the year ended December 31, 2011 the Company recorded a profit of $12,006,676 ($0.02 per share) compared to a net loss of $4,600,516 ($0.01 per share) for the year ended December 31, 2010. The year's profit was a direct result of the sale of the NSR on which the Company realized a gain in the amount of $14,056,530. The profit includes a non-cash gain of $1,396,188 (loss of $777,634) on the revaluation of the warrant liability which relates to an accounting change under International Financial Reporting Standards whereby warrants denominated in currencies other than Canadian dollars are shown as liabilities and not as part of equity. This warrant liability is then revalued at each balance sheet date thus creating a gain or loss that is reported in the statement of operations. The period results are explained as follows:

Income

Finance and interest income amounted to $292,094 for the 2011 year ($234,527) in 2010. This included the amortization of a deferred liability in the amount of $289,420 ($219,821 for 2010) for the flow-through premium received on the issuance of shares during 2010 and 2011. Also included is a loss on the revaluation of warrant investments in the amount of $65,117 (nil in 2010). Interest income for the year was $67,791 compared to $14,706 in 2010 which resulted from higher cash reserves. Other income totaled $86,566 compared to $34,750 in 2010. This consists mainly of operator's fees on the Big Daddy joint venture.

Expenses

Administrative Expenses

Administrative expenses for the year ended December 31, 2011 amounted to $2,796,335 ($3,344,021 for 2010). The following discusses variances in the main components of the administrative expenses:

- Increased salaries of $603,000 and increased directors fees of $58,000 as a result of having a larger staff complement in 2011 compared to the previous year, which results in a decreased need for outside consultants, the payment of a retroactive director's stipend paid in the third quarter of 2011 and special bonuses related to the sale of the NSR.

- Professional and consultants' fees decreased by $1,094,000 in 2011 versus 2010 as a result of lower need of such third party professionals and the utilization of employees for tasks formerly performed by consultants;

- Promotional expenses increased by $80,000 in 2011 compared to 2010 as the Company focused on spending to increase its corporate identity in the marketplace;

- Investor relations fees decreased by $82,000 in 2011 compared to 2010 largely due to the fact the Company did not have an annual meeting during the year;

- During the 2011 year the Company recovered $251,000 ($100,000 in 2010) of administrative expenses as a result of having operatorship of the *Big Daddy* chrome project and providing services to both an unrelated company and DDI; and

- Other corporate expenses increased by $38,000 in 2011 compared to 2010 which included an decrease in filing fees of $14,000 due to there being more private placements in 2010, and an increased overheads $54,000 due to the opening of a Thunder Bay office.

Realized Gain on Mineral Property Interests

In addition to the sale of the NSR the Company also realized a gain of $202,585 in 2011 ($nil in 2010) on the sale of its Louvicourt Property. This property had been written off many years ago.

Stock Compensation Costs
Stock compensation costs constitute a non-cash expense. Stock compensation costs for the year ended December 31, 2011 totaled $1,157,799 compared with $2,759,655 in 2010. This resulted from the issuance of new stock options in the latter part of 2009 and in the second quarter of 2010. These stock options vest throughout 2010, 2011 and early 2012. The calculated cost of these stock options is recognized as an expense over the vesting period. The Company issued 4,300,000 stock options in 2011 and 2,000,000 expired during the year.

Foreign Exchange Gain (Loss)
For the 2011 year, the Company realized a foreign exchange gain of $511,750 compared to a gain of $48,735 2010. This gain resulted from the fact that half of the proceeds of the sale of the NSR, which was denominated in United States dollars, were held in a third party trust account for three months during which time the US dollar strengthened against the Canadian dollar.

SUMMARY OF QUARTERLY RESULTS

(Thousands of dollars except amount per share)

Quarter ending	***Total income***	***Income (loss)***	***Income (loss) per share (basic and diluted)***
December 31, 2011	-	(931)	<(0.01)
September 30, 2011	-	13,837	0.02
June 30, 2011	-	140	<0.01
March 31, 2011	-	(1,039)	<(0.01)
December 31, 2010	-	(2,423)	<(0.01)
September 30, 2010	-	1,451	<0.01
June 30, 2010	-	(1,766)	<(0.01)
March 31, 2010	-	(1,863)	<(0.01)

Income for the fourth quarter of 2011 is attributable mainly to adjustments resulting from the year end revaluation of the warrant liability and the sale of a non-core business asset that had been written down to nil in the Company's books. General and administrative expenses were consistent with previous quarters of 2011 as was interest income.

Income for the third quarter of 2011 resulted from the sale of a non-core business asset. The higher losses in certain quarters are attributable mainly to the recognition of mineral property write-offs and stock compensation costs during such quarters. The net income in the third quarter of 2010 resulted from the receipt of the termination payment from Spider Resources Inc.

The reporting currency of such financial data is Canadian dollars.

COMMITMENTS AND CONTINGENCIES

Pursuant to flow-through financing agreements closed during the year ended December 31, 2011 the Company must incur $1,750,000 in exploration expenses by December 31, 2012.

The Company has incurred approximately $8 million of expenditures which have been passed through to shareholders as eligible expenditures for their purposes under flow through agreements. As noted in Note 3 to these financial statements, there is a risk that some or all of these claims may be disallowed. No provision has been made for potential cost to the Company, if any, of such disallowance. To the extent that the costs are disallowed as deductions to shareholders, additional tax attributes would be created for the Company which would be considered for recognition at that time.

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

RELATED PARTY TRANSACTIONS

The Company defines its officers and directors as Key Management Personnel (KMP). During 2011, officers and companies controlled by officers charged consulting fees totalling $280,103 ($258,769 in 2010) of which $18,305 remained payable at December 31, 2011 ($16,767 in 2010) and directors of the Company were paid $nil ($241,267 in 2010) for professional consulting services. Directors' fees paid for the year totalled $147,060 ($56,000 in 2010) and certain directors also received salaries and bonuses in the amount of $667,916 in 2011 ($328,000 in 2010). KMP received 1,500,000 stock options in 2011 (23,900,000 in 2010). In 2011, stock compensation expenses totalled $1,126,482 for KMP ($805,273 in 2010).

Debut Diamonds Inc.

The Company shares management, administrative assistance and facilities and other technical personnel with DDI. This is not covered by a written agreement. The costs charged to DDI are equal to the costs incurred by the Company. During 2011, the Company charged DDI for overhead and personnel charges in the amount of $58,570 ($nil in 2010) and for project costs in the amount of $60,870 ($nil in 2010) and it also advanced funds in the form of loans to DDI in the amount of $664,332.

NEW ACCOUNTING POLICIES

IFRS issued by the International Accounting Standards Board ("IASB") have been adopted in the Company's Audited Consolidated Financial Statements. Note 3 thereto includes the accounting policies that have been applied in preparing the financial statements for the years ended December 31, 2011 and 2010 as well as a summary of accounting standards and amendments issued but not yet adopted. The comparative information presented in the financial statements for the year ended December 31, 2010 and the opening IFRS balance sheet as at January 1, 2010 (date of transition) were also compiled using IFRS. Note 29 to the Audited Consolidated Financial Statements details the adjustments made and the reconciliations between pre-transition Canadian GAAP and IFRS.

SUMMARY OF IFRS IMPLEMENTATION

Overview

As discussed above and in the Company's previous MD&As, the Company implemented a project plan to guide its transition to IFRS.

Note 29 to the Audited Consolidated Financial Statements includes detailed reconciliations of the effects of IFRS on the Company's previously-published financial statements issued under pre-transition Canadian GAAP. The reader is encouraged to refer to that information for a full description of matters summarized below. Furthermore, the Company has identified the more significant adjustments to IFRS throughout this MD&A in places where it was considered helpful.

IFRS 1 Elections

The Company elected under IFRS 1, as follows:

- not to adopt retroactive application of fair value accounting on options issued and fully vested before the transition date.

Summary of Significant Accounting Policy Differences and/or Choices under IFRS

Exploration costs

The Company has chosen to continue to capitalize exploration costs.

Flow-through share financing

In accordance with interpretations of IFRS, the Company's selected accounting treatment requires recognition of the tax effects of renunciation upon incurring expenditures related to the flow-through shares, as well as an identification of the premium associated with the tax benefits passed on to the subscribers of the flow-through shares and amortization thereof to operations upon incurring expenditures related to the flow-through shares. The Company has recorded the flow-through premium as an element of finance income.

The accounting treatment has impacts upon current liabilities, share capital, warrants, deficit and tax expense as well as finance income. Since there is no applicable exemption, the Company calculated the historic impact of renunciation and premium recognition.

Warrant liability

Under IAS 32, a foreign currency warrant will be classified as equity only if the instrument can be settled by delivery of a fixed number of equity shares in exchange for a fixed amount of cash. If an instrument fails this test it is treated as the issuance of a derivative financial liability. The Company has a number of outstanding warrants with an exercise price denominated in United States dollars while the Company's functional currency is the Canadian dollar. These warrants are now shown on the Balance Sheet as Warrant Liability. Under pre-transition Canadian GAAP these warrants were included in equity. The liability account will be drawn down as the warrants are exercised or upon their expiration date. Furthermore, this liability will be re-valued at each financial statement date and any corresponding change will be recorded on the Statement of Operations as Gain(loss) on revaluation of warrant liability.

FUTURE ACCOUNTING CHANGES

The Company may enter into joint venture arrangements with third parties. Presently, the Company's accounting policy is to account for these using the proportionate consolidation method. IFRS may remove this alternative and require equity accounting. The Company is assessing the impact of this standard on its financial reporting.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

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

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

Critical Judgements

(i) Measurement of the recoverable amount of exploration and evaluation projects;
(ii) The fair value of share-based payments, including stock based compensation and warrants;
(iii) Qualifying Canadian exploration expenditures for purposes of renouncing these to flow-through shareholders.
(iv) Determination that Company does not have significant influence over GoldTrain Resources Inc.

Critical Estimates

(i) The estimated useful life and property and equipment;
(ii) The valuation of the distribution of Debut Diamonds Inc.;
(iii) The valuation of financial assets at fair value through operations; and
(iv) The valuation of financial assets at fair value through OCI.

FINANCIAL INSTRUMENTS

The following presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk Management Framework

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

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

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

Credit Risk

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

Cash and Cash Equivalents

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

Receivables

The Company's receivables consist primarily of trade receivables and amounts due from related parties, both of which are settled on a regular basis.

When necessary, the Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of receivables.

Furthermore, when the Company engages in corporate transactions it seeks to manage its exposure by ensuring that appropriate recourse is included in such agreements upon the counterparty's failure to meet contractual obligations.

Marketable Securities

The Company invests only in securities of companies listed on public stock exchanges and warrants of those companies. There is no active market for these warrants. Such strategic investments are approved by the Board of Directors of the Company. Management actively monitors changes in the markets and management does not expect any counterparty to fail to meet its obligations. The Company's investments are generally in the junior natural resources sector and these companies are subject to similar areas of risk as the Company itself.

Guarantees

The Company's policy is to provide financial guarantees only to wholly-owned subsidiaries or under business arrangements where the benefit of the guarantee will enure to the Company. At December 31, 2011, the Company had $nil in guarantees outstanding (2010 - $nil).

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

	December 31, 2011	**December 31, 2010**
Carrying amount		
Cash and cash equivalents	16,030,551	3,261,057
Receivables	861,713	18,401
Financial assets classified as AFS	888,450	293,438
Financial assets classified at FVTPL	2,284,000	-
	20,064,714	3,572,896

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking undue damage to the Company's reputation.

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

The Company manages its liquidity risk through the mechanisms described above and as described in Capital Management Disclosures below. The Company has historically relied on issuances of shares to develop projects and to finance day-to-day operations and may do so again in the future. These circumstances may cast significant doubt as to the Company's ability to continue as a going concern and the ultimate appropriateness of the use of the accounting principles applicable to a going concern.

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

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

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

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash equivalents earn interest at variable short-term rates. The estimated effect of a 50bps change in interest rate would not have a material effect on the Company's results of operations. None of the Company's other financial instruments are interest-bearing. Consequently, the Company is not exposed to any significant interest rate risk which could be caused by a sudden change in market interest rates.

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

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

Conflict of Interest Risk
Certain of the directors and officers of KWG are engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies and, as a result of these and other activities, such directors and officers of KWG may become subject to conflicts of interest. The Canada Business Corporations Act (CBCA) provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the CBCA. To the extent that other conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the CBCA.

SUBSEQUENT EVENTS

(a) On February 29, 2012 the Company signed an agreement to acquire 49 unpatented claims from INV Metals Inc. in consideration for 3,000,000 treasury units each comprised of one share and one warrant exercisable at $0.12 for a period of 5 years. The claims are located south of McFaulds Lake and the Ring of Fire and complete an important section of the railway corridor staked by the Company's subsidiary Canada Chrome Corporation.

(b) On March 29, 2012 the Company granted stock options to its directors to purchase a total of 7,100,000 shares at a price of $0.10 each expiring on March 29, 2017.

OTHER

National Instrument 51-102 - Section 5.3

Below is a detailed analysis of exploration expenditures incurred for the year ended December 31, 2011 with comparative figures for the year ended December 31, 2010 on a property by property basis. Properties owned by DDI are no longer part of the group and have been indicated as divested in the tables below:

Spider No. 1/MacFadyen and Kyle

Cost and deferred exploration expenses	***Year ended December 31, 2011***	***Year ended December 31, 2010***
	$	***$***
Balance – Beginning of the period	2,516,896	2,501,951
Exploration expenses		
Drilling	(24,000)	-
Geology	10,639	9,445
Management	-	5,500
Surveying	6,495	-
Reports	-	-
	(6,866)	14,945
Divestiture of DDI	(2,484,898)	
Balance – End of the period	25,132	2,516,896

Wawa

Cost and deferred exploration expenses	***Year ended December 31, 2011***	***Year ended December 31, 2010***
	$	***$***
Balance – Beginning of the period	156,944	156,944
Divestiture of DDI	(156,944)	-
Balance – End of the period	-	-

Big Daddy

Cost and deferred exploration expenses	***Year ended December 31, 2011***	***Year ended December 31, 2010***
	$	***$***
Balance – Beginning of the period	6,454,391	4,760,372
Exploration expenses		
Camp expenses	-	256,133
Consulting	-	39,550
Drafting	-	9,474
Drilling	1,408,930	801,647
Environmental	-	13,776
Geology	12,286	269,466
Geophysics	-	39,071
License fees	-	25,167
Line cutting	-	8,360
Management	39,589	107,900
Metallurgical costs	32,420	-
MFFN compensation	2,610	
Planning	-	32,493
Resource studies	193,739	58,084
Sample storage	8,136	-
Additional earn-in	661,016	-
Survey	-	32,898
	2,358,726	1,694,019
Balance – End of the period	8,813,117	6,454,391

Diagnos

Cost and deferred exploration expenses	***Year ended December 31, 2011***	***Year ended December 31, 2010***
	$	***$***
Balance – Beginning of the period	189,120	97,865
Exploration expenses		
Drafting	-	229
Drilling	-	34,532
Geology	-	16,625
Geophysics	-	4,151
Line Cutting	-	6,782
Management	-	3,570
Planning	-	664
Staking	-	24,702
	-	91,255
Divestiture of DDI	(11,106)	-
Balance – End of the period	178,014	189,120

Pele Mountain

Cost and deferred exploration expenses	***Year months ended December 31, 2011***	***Year ended December 31, 2010***
	$	***$***
Balance – Beginning of the period	556,878	479,278
Exploration expenses		
Consulting	-	77,600
Geology	10,639	-
Reports	5,500	-
Staking	7,412	-
Surveying	62,354	-
	85,905	77,600
Divestiture of DDI	(642,783)	-
Balance – End of the period	-	556,878

Uniform Surround

Cost and deferred exploration expenses	***Year months ended December 31, 2011***	***Year ended December 31, 2010***
	$	***$***
Balance – Beginning of the period	7,950	7,950
Exploration expenses		
Geology	10,639	-
Surveying	5,196	-
	15,835	-
Divestiture of DDI	(23,785)	-
Balance – End of the period	-	7,950

Railway Corridor

Cost and deferred exploration expenses	***Year ended December 31, 2011***	***Year ended December 31, 2010***
	$	***$***
Balance – Beginning of the period	14,313,571	2,897,437
Exploration expenses		
Assaying & testing	71,445	-
Camp expenses	34,635	344,889
Claims staking	31,967	-
Draft closure plan	(9,000)	33,008
Field consultants	34,385	226,413
Flight costs	14,090	3,105,854
Fuel costs	-	467,596
Geology	816,303	6,310,314
Legal costs	5,092	-
LiDAR data collection fees	-	98,106
Line cutting	-	810,643
Surveying		-
Travel & accommodation	360	19,311
	999,277	11,416,134

Divestiture of DDI	(76,537)	-
Balance – End of the period	15,236,311	14,313,571

Smelter Royalty

Cost and deferred exploration expenses	***Year ended December 31, 2011***	***Year ended December 31, 2010***
	$	***$***
Balance – Beginning of the period	2,682,587	2,682,587
Exploration expenses		
Financing costs	20,000	-
Balance – Prior to Sale	2,702,587	2,682,587

Victor West

Cost and deferred exploration expenses	***Year ended December 31, 2011***	***Year ended December 31, 2010***
	$	***$***
Balance – Beginning of the period	119,979	119,979
Exploration expenses		
Geology	10,639	-
Staking	10,209	-
Surveying	57,170	-
	78,018	-
Divestiture of DDI	(197,997)	
Balance – End of the period	-	119,979

Nakina Project

Cost and deferred exploration expenses	***Year ended December 31, 2011***	***Year ended December 31, 2010***
	$	***$***
Balance – Beginning of the period	-	-
Acquisition costs	560,216	
Geology	10,639	-
	570,855	-
Divestiture of DDI	(570,855)	
Balance – End of the period	-	-

<u>All Projects Combined</u>

Cost and deferred exploration expenses	***Year ended December 31, 2011***	***Year ended December 31, 2010***
	$	***$***
Balance – Beginning of the period	31,390,134	18,256,842
Acquisition costs	560,216	-
Exploration expenses		
Assaying & testing	71,445	-
Camp expenses	34,635	601,022
Consulting	-	117,150
Draft closure plan	(9,000)	33,008
Drafting	-	9,703
Drilling	1,384,930	836,179
Environmental	-	13,776
Field consultants	34,385	226,413
Financing costs	20,000	50,000
Flight costs	14,090	3,105,854
Fuel costs	-	467,596
Geology	881,784	6,605,850
Geophysics	-	43,222
Legal	5,092	-
License fees	-	25,167
LiDAR data collection fees	-	98,106
Line cutting	-	825,785
Management	39,589	116,970
Metallurgical costs	32,420	
MFFN Compensation	2,610	-
Planning	-	33,157
Reports	5,500	-
Resource studies	193,739	58,084
Sample storage	8,136	-
Shortfall payment	661,016	-
Staking	49,588	24,702
Survey	131,215	32,898
Travel & accommodation	360	19,311
	3,561,534	13,343,953
Write downs taken in the year	(202,123)	(210,661)
Properties sold during the year	(2,702,587)	-
Divestiture of DDI	(4,164,905)	-
Balance – End of the period	28,442,269	31,390,134

The following is a detailed break-down of administrative expenses incurred for the year ended December 31, 2011 with comparative figures for the same period in 2010.

Administrative Expenses	***2011***	***2010***
	$	$
Advertising & Promotion	97,058	17,218
Consultant's Fees	562,647	856,612
Directors Fees & Insurance	132,356	74,457
Filing Fees	62,299	76,755
Investor Relations Fees	44,398	126,819
Professional fees	429,790	1,229,784
Office Overhead	264,996	210,838
Salaries and benefits	1,371,484	767,663
Travel & Accommodation	82,946	84,278
Administrative recovery	(251,639)	(100,403)
Total Administrative Expenses	2,796,335	3,344,021

National Instrument 51-102 - Section 5.4
Disclosure of Outstanding Share Data (as at April 30, 2012)

Common shares outstanding: 673,845,941

Warrants and compensation options outstanding: 152,725,220

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

Number of Warrants	***Number of Compensation Options***	***Exercise Price $***	***Expiry Date***
200,000	-	0.10	May 2012
1,300,000	-	0.10	June 2012
1,000,000	-	0.10	July 2012
1,000,000	-	0.10	August 2012
5,000,000	-	0.10	September 2012
21,911,540	-	0.10	October 2012
8,697,500	-	0.12	October 2012
4,135,000	-	0.15	December 2012
7,062,326	-	0.18	December 2012
4,000,000	-	0.15	February 2013
17,208,015	-	0.10U.S.	March 2014
9,310,839	-	0.10U.S.	April 2014
8,750,000	750,000	0.12	June 2014
15,000,000	-	0.10	July 2014
26,400,000	-	0.10	August 2014
21,000,000	-	0.15	August 2016

Options outstanding: 60,593,200 - average exercise price of $0.114
Each option entitles the holder to purchase one Common Share of the Company at the following prices:

Number of Options	***Exercise Price $***	***Expiry Date***
2,690,000	0.10	June 2012
1,820,000	0.10	September 2012
500,000	0.15	October 2012
3,410,000	0.12	November 2012
2,000,000	0.12	December 2012
2,216,600	0.10	February 2013
588,100	0.10	May 2013
400,000	0.10	October 2013
5,623,500	0.10	October 2014
24,545,000	0.125	May 2015
1,500,000	0.14	June 2015
11,000,000	0.10	December 2015
3,500,000	0.115	March 2016
800,000	0.10	Nov 2016

FORWARD LOOKING INFORMATION

This MD&A contains or refers to forward-looking information. All information, other than information regarding historical fact that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future is forward-looking information. Such forward-looking information includes, without limitation: the economic potential of the Project (as defined below); the proposed construction of a rail line; the continued maintenance, exploration and the development of the Company's properties and the costs related thereto, as well as the Company's expectation of periodically requiring additional funds therefore; exploration, development and operational plans, objectives and budgets; the expected strategic importance and value of the Company's mineral property interests outside of the Project, including expectations regarding the Company's participation in the development of the McFaulds Lake properties; expectations regarding the consultation, assessment and construction of a railroad, including the costs and timing associated therewith; mineral resource estimates; potential mineral resources; the Company's plans with respect to the distribution of the DDI (as defined below) common shares as a divided in kind to the Company's shareholders; plans with respect to the use of private placement proceeds; estimates relating to critical accounting policies; the Company's expectations with respect to pursuing new opportunities and acquisitions and its future growth; estimated operating expenses; and the Company's ability to raise new funding.

Forward-looking information is subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, the Company. Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to: demand for ferrochrome by global integrated steel producers; the impact of consolidation and rationalization in the steel industry; the grade and recovery of ore varying from estimates; delays in, or the failure to, develop the projects of the Company caused by unavailability of equipment; labour or supplies, weather and climatic conditions, labour disputes, financing or other factors; risks normally incidental to exploration and development of mineral properties; uncertainties in the interpretation of drill results; the possibility that future exploration, development or mining results will not be consistent with expectations; uncertainty of mineral resources estimates; the Company's inability to obtain, maintain, renew and/or extend required licenses, permits, authorizations and/or approvals from the appropriate regulatory authorities and other risks relating to the applicable regulatory framework; the Company's inability to maintain its title to its assets; capital and operating costs varying significantly from estimates; the Company's inability to participate in and/or develop the Company's property interests outside of the Project; inflation; changes in exchange and interest rates; adverse changes in commodity prices; the inability of the Company to obtain required financing; the Company's inability to declare and/or pay a dividend on its Common Shares as proposed in the MD&A, or at all; adverse general market conditions; the Company's inability to delineate additional mineral resources and delineate mineral reserves; operating hazards and risks, management and control; environmental risks; adverse land claims; future unforeseen liabilities and other factors including, but not limited to, those listed under "Risk Factors" in this MD&A.

Any forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR (WWW.SEDAR.COM).