

KWG RESOURCES INC.

(An exploration stage company)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED SEPTEMBER 30, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 September 30, 2010 is dated November 22, 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 therefore; the formation of a joint venture with respect to the Big Daddy deposit; the Company's intention to earn an additional 3.5% interest in the Big Daddy deposit; exploration, development and operational plans, objectives and budgets; the potential significance of the deposit at the Freewest Option property; the possibility of the chromite minerals at the Big Daddy deposit being suitable for direct sale without beneficiation; the completion of the rail pre-feasibility study and the geotechnical drilling program with respect to the proposed railroad; the expected strategic importance and value of the Company's mineral property interests outside of the Big Daddy deposit; the expectation that the railway pre-feasibility level engineering document will enable informed consultations regarding the feasibility of constructing a railroad; 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, the quality and grade of mineralization at the Big Daddy deposit, 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, authorizations 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 possibility that the Big Daddy deposit will not be further explored or developed by its new Operator after March 31, 2011; 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; the Company's inability to maintain its title to its assets; 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; 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 "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. Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that mineral resources can be upgraded to mineral reserves through continued exploration. 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 with properties and projects in the "Ring of Fire" area of the James Bay Lowlands of Northern Ontario. The Company currently owns 26.5% of the *Big Daddy* chromite deposit. The *Big Daddy* deposit contains an indicated resource of 23.2 million tonnes grading 40.66% chromite and an inferred resource of 16.3 million tonnes grading 39.09% as reported in the Micon International Ltd. "Technical Report on the Mineral Resource Estimate for the Big Daddy Chromite Deposit", dated March 30, 2010 and prepared by Richard M. Gowans, P.Eng, Jane Spooner, M.Sc., P.Geo., Alan J. San Martin, MAusIMM and Charley Z. Murahwi, M.Sc., P.Geo, Pr.Sci.Nat., MAusIMM, all of whom are independent of KWG, as determined in accordance with National Instrument 43-101 ("NI 43-101"). Such technical report is available on KWG's SEDAR profile at www.sedar.com. The adjacent *Black Thor* deposit now owned by Cliffs Natural Resources Inc. ("Cliffs") contains an inferred resource of 69.5 million tonnes of 31.9% chromite based on a NI 43-101 report cited in January 2010. These deposits are a very large and globally significant source of high grade chromite minerals which may be refined into ferrochrome, a principal ingredient in the manufacture of stainless steel. The quality and grade of mineralization in the *Big Daddy* deposit may suit it for direct sale without beneficiation, to an international clientele of steelmakers.

The 26.5% interest that KWG has earned in the *Big Daddy* deposit may be increased by exercising options to earn another 1.5% this year and 2.0% next year by incurring \$2.5 million of additional exploration expenditures in each year, under terms of the Freewest Option Agreement. Under this agreement with Freewest Resources Canada Ltd. ("Freewest"), Spider Resources Inc. ("Spider") was granted similar options and the programs to incur the expenditures are managed by KWG as Operator to March 31, 2011 and by Spider as Operator to March 31, 2012. On completion of option periods for the earn-ins, a joint venture ("JV") will be formed and its operator will be selected by the holders of a majority of the JV interests.

KWG also owns a 1% net smelter royalty ("NSR") in the *Big Daddy* and *Black Thor* deposits, and in the adjacent *Black Label* deposit. When Cliffs was unprepared to enter a standstill agreement with KWG as part of its initial subscription for treasury shares in January 2009, KWG acquired assets with which to improve the economic potential of its minority interest in the *Big Daddy* deposit. Thus the acquisition of the

NSR was completed to provide KWG with direct participation in the chromite developments no matter which deposit is ultimately first exploited.

To further assure the value of the NSR asset and the economic potential and competitiveness of our minority interest in *Big Daddy*, KWG created Canada Chrome Corporation (“CCC”) as a wholly-owned subsidiary to begin development of the most viable transportation option, which it presently controls. A number of off-balance sheet financing alternatives are being pursued to fund the first phases of consultation, assessment and construction of this transportation corridor.

CCC has staked mining claims covering a linear sand ridge that is currently being tested for its suitability to host a railroad. This railroad would be used for transporting materials into the discovery area as well as transporting the mined ores out. An engineering pre-feasibility study of the embankment alignment and water crossings is underway. This is being supported by a geotechnical study being carried out on collected soil samples from 744 borings using hollow stem auger drills. The pre-feasibility level engineering document will enable informed consultations, with affected First Nations and all other local and regulatory constituencies, on the feasibility of constructing a railroad.

In addition to ownership of the *Big Daddy* interest, the potential transportation corridor and the 1% NSR in the chromite deposits, the Company owns Debuts Diamonds Inc. (“DDI”), a wholly-owned subsidiary which holds all the Company’s diamond exploration properties. KWG controls the MacFadyen Kimberlites and other contiguous exploration properties that are all adjacent to the De Beers Victor Diamond Mine.

RECENT EVENTS AND OUTLOOK

Recent events have not only vindicated our view of the value accruing from these globally significant chromite discoveries, but have also established KWG’s interest in *Big Daddy* as having a comparable value to the \$125 million paid for Spider by Cliffs. We therefore intend to exercise our options to earn the additional 1.5% and further 2% interests by first completing a drilling program designed to further increase the resources and thus the value of the deposit. The very significant investment made in these resources thus far by Cliffs, dictates that the project moves forward to development as rapidly as possible and we look forward to the opportunity of now working with Cliffs to that end.

KWG also has a joint venture interest in the McFaulds Lake properties, where ten discoveries of economically interesting grades of copper and zinc have been previously found. As the viability of the railroad is enhanced from increased investments in the Ring of Fire, as well as the support for development expressed publicly by the government of Ontario, these other mineral property interests of the Company will gain in strategic importance and value.

Production of diamonds at De Beers’ Victor Mine has recently returned to previous volumes. The opportunity to identify additional diamondiferous kimberlite resources to augment the Victor plant’s production and defer its ultimate closure, describes an increasingly timely prospect for DDI and its MacFadyen and other Victor area properties. Similarly, the recent discovery of diamonds announced by Metalex Ventures is highly encouraging for DDI’s interest in the Kyle Kimberlites that are nearby. It is hoped that the value of DDI may soon be utilized to pursue these opportunities, as has been planned for some time.

RECENT DEVELOPMENT HIGHLIGHTS

KWG Drilling and Bulk Sample Programs for Big Daddy Approved

On August 9, 2010, the Company in consultation with co-optionee Spider received approval from the *Big Daddy* Technical Management Committee for its proposed program of deep drilling and bulk sampling. The Big Daddy Technical and Management Committee is comprised of representatives of each of KWG, Spider and Freewest.

KWG proposed a program of up to \$4 million designed to upgrade the previously reported inferred mineral resources into the indicated mineral resources category (as defined by CIMM) that includes a test of a large part of the substantial downward extension of the mineralized body indicated from interpretations of its geophysical evidence, where most of the inferred resources lay. Twelve deep drill holes were planned to test for the down-dip extension of the mineralization. The successful execution of the drilling program might identify a mineral resource recoverable by underground bulk mining techniques that could more than double the size of the deposit when added to the surface-recoverable resources identified to date.

The results could then be used to inform a pre-feasibility study of an integrated combined surface and underground mining and development plan. The proposed program also included a bulk sample of the deposit's mineralization and beneficiation testing from massive chromite mineralization collected from either a surface stripping program or large diameter core drilling.

The program had been planned and budgeted so that its completion would result in the vesting of a 28% interest in the project in each of KWG and Spider, who may then both earn an additional 2% interest by each incurring a further \$2.5 million of exploration expenditures prior to March 31, 2012.

CCC continued laboratory soil testing of the 754 auger drill samples collected on the claims it had staked on a proposed transportation corridor related to the *Big Daddy* project. The results of these lab tests by Golder & Associates are expected to be completed in the fourth quarter of this year. This data may then be incorporated into an engineering preliminary feasibility study being prepared by Krech Ojard & Associates, from which land use planning consultations may then be undertaken.

'Big Daddy' Program Underway

On October 1, 2010, the Company reported that it commenced recovery of a 2-tonne bulk sample from the *Big Daddy* chromite deposit under the programs recommended by the Technical Committee to bring forward the understanding of the economic merits of the *Big Daddy* deposit. The bulk sample will be used for test work to determine the metallurgical properties and indicated beneficiation parameters of the deposit. The sample would be taken with large-diameter HQ core recovered by diamond drilling. The drilling operation would be conducted from the Esker Camp of Freewest Resources Canada Inc. ("Freewest") before the Freewest-contracted crews demobilize their recent campaign of in-fill drilling at the adjacent *Black Thor* chromite deposit.

KWG retained Behre Dolbear to provide guidance on the metallurgical and beneficiation test work.

The previously-announced drilling program on the *Big Daddy* deposit was expected to start by November and be completed before year's end. The drilling program of at least twelve deep drill holes is designed to confirm that the chromite resources continue to depth below those previously reported as an indicated resource of 23.2 million tonnes averaging 40.66% Cr₂O₃, and an inferred resource of 16.3 million tonnes averaging 39.09% Cr₂O₃. It was anticipated that the planned drill holes will permit the inferred resources to be largely included into the indicated category to thus enable mine planning and economic modeling.

KWG also initiated discussions with Spider for the planning of the program in the next option period commencing April 1, 2011 and ending March 31, 2012. Under the option agreement's terms, KWG and Spider may each earn a further 2% interest in the *Big Daddy* deposit (to a total interest of 30% each) from Freewest by contributing \$2.5 million to such program, or paying an equal sum in lieu thereof by March 31, 2012. A joint venture will then be formed for the development and mining of the deposit, with mined material being divided in kind to each of the joint-venturers. Spider confirmed its intention to participate with KWG in completing the final option earn-in program.

'Big Daddy' Metallurgical Sample Recovered

On October 13, 2010, the Company advised that it had recovered a bulk sample of more than two tonnes as required for ongoing metallurgical testing, from the *Big Daddy* chromite deposit. The sample was taken by drilling large diameter HQ core down-dip into the massive domain representing what is believed to be the most intensely mineralized section of the deposit based upon drilling completed in earlier programs. Protocols are being developed for the testing of the bulk sample to determine treatment parameters and smelting characteristics.

OVERALL PERFORMANCE - FINANCIAL

During the third quarter ended September 30, 2010, the Company improved its financial situation with the receipt of a break fee from Spider Resources Inc. in the amount of \$2,300,000. This payment resulted from the termination of a combination agreement as noted in the previous MD & A dated August 30, 2010. The proceeds of this termination payment were mainly used to offset professional and consulting fees incurred in the attempted combination of KWG with Spider. The company did not undertake any equity placements during the third quarter.

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 develop a railroad link to the Ring of Fire.

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 September 30, 2010, the Company had working capital of \$264,668 (\$471,754 as at December 31, 2009) including \$1,285,323 in cash and cash equivalents. The Company's expenditures, excluding those incurred in relation to the attempted combination with Spider, for the first nine months of 2010 were consistent with budgeted amounts. 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 the fourth quarter of 2010 to cover these costs as well as its upcoming exploration programs and a \$3 million flow-through share private placement was announced on November 19, 2010.

RESULTS FROM OPERATIONS

During the three-month period ended September 30, 2010 the Company recorded an operating profit of \$1,243,148 (\$0.00 per share) and a cumulative loss of \$958,914 (\$0.00 per share) for the nine-month period ended September 30, 2010 (losses of \$948,968 (\$0.00 per share) and \$3,307,378 (\$0.01 per share) for the comparable periods in 2009, respectively). This accumulated loss includes the recording of a future income tax recovery in the amount of \$1,022,000 (\$105,000 in 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 profit was created by the receipt of the termination payment noted above. A majority of costs related to this income were incurred and recorded in the financial statements to the end of June 2010. The period results are explained as follows:

Income

Interest and other income amounted to \$5,502 for the three months ended September 30, 2010 (\$12,104 for the nine months ended September 30, 2010) compared with \$885 for the same period in 2009 (\$18,076 for the nine months ended September 30, 2009). This increase in interest revenue is due to a higher average level of cash on hand during the period as compared to 2009.

Expenses

Administrative Expenses

Administrative expenses for the three months ended September 30, 2010 amounted to \$703,585 (\$2,763,016 for the nine months ended September 30, 2010) compared to \$848,503 for the same period in 2009 (\$2,238,567 for the nine months ended September 30, 2009) for a net decrease of \$144,918 (cumulative increase of \$524,449). The following discusses variances in the main components of the administrative expenses:

- DDI, which became a reporting issuer in Ontario in late 2008, incurred administrative and corporate expenses amounting to \$30,000 for the three months ended September 30, 2010 (\$44,000 for the first nine months of 2010) compared to \$29,000 for the same period in 2009 (\$207,000 for the first nine months of 2009) as DDI has been virtually inactive during the current year. Current year expenditures related mainly to professional fees incurred;
- Increased salaries of \$81,000 (cumulative of \$321,000), directors fees of \$1,000 (cumulative of \$11,000) and consulting fees of \$226,000 (cumulative of \$293,000) were incurred due to greater involvement of certain officers, directors and outside consultants in relation to the reorganization and operation of the Company, the proposed amalgamation of the Company with Spider as described above and the private placements completed in the first six months of the year;

- In 2009 a special bonuses of \$422,000 (cumulative amount of \$857,000 to September 30, 2009) were paid to certain officers and directors of the Company. The company has not incurred any such expenses in 2010.
- Professional fees increased by \$2,000 (cumulative increase of \$853,000) in the three months ended September 30, 2010 versus the same period in 2009. The year-to-date increased costs are all directly related to the series of events regarding the attempted restructuring of the Company as previously noted.
- Promotional and investor relations expenses decreased by \$41,000 (cumulative decrease of \$65,000) as the Company focused on increasing its operating efficiencies in this area; and
- Corporate expenses increased by \$9,000 (cumulative increase of \$132,000) which included a decrease in filing fees of \$1,000 (cumulative increase of \$27,000), a reduction in expenditures on seminars and conferences of \$5,000 (cumulative decrease of \$8,000), increased overheads in the Toronto office of \$14,000 (cumulative increase of \$84,000) and increased travel costs of \$1,000 (cumulative increase of \$29,000).

Realized Loss on Temporary Investments

In the second quarter of 2010, the Company recognized a loss of \$97,596 on its investment in Copper Mesa Mining Corporation ("Copper Mesa"). The shares of Copper Mesa were delisted on February 19, 2010 and since there is no known market for these shares the Company has determined that their value has been permanently impaired. There was no such loss in the previous year.

Stock Compensation Costs

Stock compensation costs constitute a non-cash expense. Stock Compensation Costs for the third quarter of 2010 totaled \$353,406 (\$1,461,774 cumulative to September 30, 2010) compared with \$2,943 (\$43,679 cumulative to September 30, 2009) in 2009. 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.

Foreign Exchange Gain (Loss)

For the three months ending September 30, 2010, the Company realized a foreign exchange gain of \$929 (cumulative gain of \$47,510) compared to a loss of \$95,531 (cumulative loss of \$436,953) in the comparable period of 2009. This was a result of the Company continuing to hold a net negative US working capital balance throughout the first nine months of 2010 while the Canadian dollar strengthened against its US counterpart. There was virtually no change to the exchange gain (loss) during the third quarter of 2010.

SUMMARY OF QUARTERLY RESULTS

(Thousands of dollars, except amount per share)

Quarter	Total income (\$)	Income (loss) (\$)	Income (loss) per share (basic and diluted) (\$)
September 30, 2010	2,306	1,243	<0.01
June 30, 2010	6	(2,709)	<(0.01)
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)

The higher losses in certain quarters are attributable mainly to mineral property write-offs during such quarters. The profit in the first quarter of 2010 was caused by the recording of a future income tax recovery caused by the renunciation of Canadian exploration expenses and the profit in the third quarter of 2010 was created by the receipt of the termination payment from Spider.

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 six-month period ended June 30, 2010 the Company must incur an additional \$1,506,685 in exploration expenses by December 31, 2011. As at September 30, 2010, the Company has incurred exploration expenses of \$1,078,337 towards this amount.

RELATED PARTY TRANSACTIONS

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

Overview

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. Senior financial management has attended training courses on IFRS designed to be industry-specific.

Project Plan

The Company's project plan is summarized in the 2009 MD&A. No major changes have been made to the project plan or timelines with the exception that the IASB has not released the final documentation on accounting for joint venture arrangements with third parties. Consequently, the Company is not able to determine its accounting policy or to assess the impact of any differences between Canadian GAAP and IFRS for joint ventures.

Status of Project

The Company has completed Phases 1 and 2 of its IFRS transition and continues with Phase 3. The detailed assessment review has been prepared and the preliminary selection of transition election options has been made. The approach for managing dual reporting has been determined with no major IT improvements being required unless the Company makes a significant capital acquisition, secures significant financing and moves ahead towards production on a major project. In that case, it may need to upgrade accounting systems and make additional accounting policy selections. The Company has determined that, given the nature of its business and investors, its main communication tool for IFRS matters will be through the MD&A.

The Company's internal controls over financial reporting and disclosure are facilitated by the small size and hands-on involvement of senior management.

Detailed Assessment Review

In common with many junior mining companies, the main differences in accounting under IFRS relate to exploration and development properties. In particular, accounting for impairment has some major differences. Firstly, the test for impairment requires a "trigger" rather than being an annual test. It is performed on a cash-generating-unit basis (likely analogous to a defined project for the Company), the recoverable amount uses discount factors (unlike the two-tier test under existing Canadian GAAP) and write-ups are required to historic cost. The concept of a write-up is a major paradigm shift and is expected to lead to increased volatility of earnings. The Company performed impairment tests at the transition date of January 1, 2010 and determined that no adjustments were necessary.

The Company currently has entered into joint venture arrangements with third parties. Presently, the accounting policy is to account for these using the proportionate consolidation method. IFRS may remove this alternative and require equity accounting. This is not expected to represent a major change for the Company.

The definition and test for functional currency is different under IFRS. The Company expects that the Canadian dollar will continue to be its functional currency but both primary and secondary tests are required which consider such factors as the denomination of major revenues, expenditures and financing.

Should the Company raise debt financing in the future for any of its specific projects, interest must be capitalized to that project. Under existing Canadian GAAP, there is a choice of capitalizing or expensing interest.

Expected Transition Elections

The Company's guiding premise with respect to transition elections is to manage changes to a minimum unless there is a compelling reason for making a change. This also appears to have been the experience in other jurisdictions where IFRS conversion has already taken place. Accordingly the Company expects to make the following elections, where applicable:

- Continue to capitalize exploration costs;
- Retain prior accounting for historic business combinations – no retroactive application of IFRS;
- Use cost for property and equipment rather than revaluation; and
- Choose not to adopt retroactive application of fair value accounting on options (or predecessor options) granted prior to November 2002.

The Company is making further progress in Phase 3 of its IFRS transition. We have confirmed that the Company's functional currency will continue to be the Canadian dollar. We are in the process of developing an annual financial statement template complete with face financial statements, accounting policies and note disclosures. From this, we will develop an interim financial reporting template using the guidance in IAS 34. Our timeline is to have this completed during the fourth quarter of 2010.

All such work has been carried out primarily on a "business as usual" basis; should there be any significant future transactions or other changes requiring accounting policy choices, such choices will be made with IFRS transition in mind in order to manage differences until full conversion is achieved. The main focus to date has been on qualitative matters with little work so far on quantitative differences. As previously reported, we expect that there is the potential for volatility in the income statement with respect to accounting for impairment under IFRS and this is expected to represent the main quantitative difference under IFRS. However, we have not yet made any calculations under IFRS rules.

The Company believes that it is well-positioned to meet the transition to IFRS.

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 September 30, 2010 US dollar denominated balances included cash of US\$12,218 (US\$932,246 in 2009) and accounts payable of US\$146,423 (nil in 2009).

Liquidity Risk

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

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

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.

Additional Equity Financing

The advancement, exploration and development of KWG's properties, including continuing exploration and development projects, and, if warranted, construction of mining facilities and commencement of mining operations, will require substantial additional financing. The most likely source of such future financing that would be available to KWG is through the sale of additional equity capital. However, there can be no assurance that such financing will be available to KWG or that it will be obtained on terms favourable to KWG or will provide KWG with sufficient funding to meet its objectives or capital or operating requirements, which may adversely affect KWG's business, financial condition and results of operations. Additional financing may not be available when needed or, if available, the terms of such financing might not be favourable to KWG and might involve substantial dilution to existing shareholders.

Failure to obtain sufficient financing as and when required by KWG will result in a delay or indefinite postponement of the advancement, exploration or development on any or all of KWG's properties or even a loss of a property interest, which would have a material adverse effect on KWG's business, financial condition and results of operations. 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 KWG to secure purchasers of KWG's securities at prices which will not lead to severe dilution to existing shareholders, or at all.

Going Concern

KWG's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they become due. There can be no assurance once a decision is made with respect to future activities that KWG will be able to execute on its plans. The consolidated financial statements of KWG do not include any adjustments related to the carrying values and classification of assets and liabilities should KWG be unable to continue as a going concern.

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. KWG's liquidity as at the date hereof is insufficient to meet KWG's corporate, administrative and exploration expenses and commitments for the remainder of 2010. KWG's only source of liquidity is cash and cash equivalent balances. Liquidity requirements are managed based upon forecasted cash flows to ensure that there is sufficient working capital to meet KWG's obligations. KWG's ability to continue its business operations is dependent on management's ability to secure additional financing. 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. KWG's main funding requirements for 2010 are for its corporate overheads and continuation of its mineral

exploration, property and project obligations, including professional fees, consultants' fees, investor relations, salaries and benefits and office overheads of approximately \$1,800,000 in the aggregate. As a result, KWG will be required to seek additional sources of equity financing before the end of the 2010 financial year, if not sooner, and has begun planning in this respect and is actively considering proposals. While KWG has been successful in raising such financing in the past, KWG's ability to raise additional equity financing may be affected by numerous factors beyond KWG'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 "Risk Factors" section, and there can be no assurance that KWG will be successful in obtaining any additional financing required to continue its business operations and/or maintain its property interests or that it will be obtained on terms favourable to KWG or will provide KWG with sufficient funds to meet its objectives. Failure to obtain sufficient financing as and when required may result in delaying or indefinite postponement of exploration and/or development on any or all of KWG's properties or even a loss of property interest, which would have a material adverse effect on KWG's business, financial condition and results of operations.

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 a detailed analysis of exploration expenditures incurred for the nine months ended September 30, 2010 with comparative figures for the year ended December 31, 2009 broken down by project.

Spider No. 1/MacFadyen and Kyle

Cost and deferred exploration expenses	Nine months ended Sept 30, 2010	Year-ended December 31, 2009
	\$	\$
Balance – Beginning of the period	2,501,951	2,452,815
Exploration expenses		
Drilling	-	23,250
Engineering	9,446	10,186
Management	-	5,500
Reports	-	10,200
	9,446	49,136
Balance – End of the period	2,511,397	2,501,951

Big Daddy

Cost and deferred exploration expenses	Nine months ended Sept 30, 2010	Year-ended December 31, 2009
	\$	\$
Balance – Beginning of the period	4,760,372	1,999,374
Exploration expenses		
Camp expenses	111,537	113,454
Consulting	38,310	98,984
Drafting	9,474	29,238
Drilling	639,905	1,187,890
Environmental	13,776	-
Fuel costs	-	45,955
Geology	263,278	775,554
Geophysics	39,071	152,785
License fees	25,167	-
Line cutting	8,360	55,658
Management	69,153	164,807
Planning	32,493	33,891
Resource studies	43,146	46,527
Sampling	-	27,530
Survey	9,463	19,009
Travel & accommodation	-	9,716
	1,303,133	2,760,998
Balance – End of the period	6,063,505	4,760,372

Diagnos

Cost and deferred exploration expenses	Nine months ended Sept 30, 2010	Year-ended December 31, 2009
	\$	\$
Balance – Beginning of the period	97,865	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	-
Balance – End of the period	189,120	97,865

Pele Mountain

Cost and deferred exploration expenses	Nine months ended Sept 30, 2010	Year-ended December 31, 2009
	\$	\$
Balance – Beginning of the period	479,278	352,532
Exploration expenses		
Camp expenses	-	4,848
Consulting	6,850	32,935
Flight costs	-	40,463
Geology	-	48,500
	<u>6,850</u>	<u>126,746</u>
Balance – End of the period	<u>486,128</u>	<u>479,278</u>

East West Option

Cost and deferred exploration expenses	Nine months ended Sept 30, 2010	Year-ended December 31, 2009
	\$	\$
Balance – Beginning of the period	404,246	393,222
Exploration expenses		
Geophysics	-	11,024
Balance – End of the period	<u>404,246</u>	<u>404,246</u>

Railway Infrastructure

Cost and deferred exploration expenses	Nine months ended Sept 30, 2010	Year-ended December 31, 2009
	\$	\$
Balance – Beginning of the period	2,897,437	-
Exploration expenses		
Camp expenses	344,889	87,550
Claims staking	-	889,993
Draft closure plan	26,372	-
Engineering costs	5,918,391	704,884
Field consultants	164,975	157,383
Flights costs	3,105,854	432,633
Fuel costs	470,790	106,100
LiDAR data collection fees	68,674	312,532
Line cutting	810,643	-
Miscellaneous exploration costs	416	10,285
Soil sampling	-	182,526
Travel & accommodation	18,065	13,551
	<u>10,929,069</u>	<u>2,897,437</u>
Balance – End of the period	<u>13,826,506</u>	<u>2,897,437</u>

Smelter Royalty

Cost and deferred exploration expenses	Nine months ended Sept 30, 2010	Year-ended December 31, 2009
	\$	\$
Balance – Beginning of the period	2,632,587	-
Exploration expenses		
Consulting	-	21,212
Filing fees	-	6,375
Royalty purchase	-	2,605,000
	<u>-</u>	<u>2,632,587</u>
Balance – End of the period	<u>2,632,587</u>	<u>2,632,587</u>

Victor West

Cost and deferred exploration expenses	Nine months ended Sept 30, 2010	Year-ended December 31, 2009
	\$	\$
Balance – Beginning of the period	119,979	-
Exploration expenses		
Staking	-	119,979
Balance – End of the period	<u>119,979</u>	<u>119,979</u>

All Projects Combined

Cost and deferred exploration expenses	Nine months ended Sept 30, 2010	Year-ended December 31, 2009
	\$	\$
Balance – Beginning of the period	18,256,842	9,658,935
Exploration expenses		
Camp expenses	456,426	205,852
Claims staking	-	889,993
Consulting	45,160	153,131
Draft closure plan	26,372	-
Drafting	9,703	29,238
Drilling	674,437	1,211,140
Engineering	5,927,837	715,070
Environmental	13,776	157,383
Field consultants	164,975	6,375
Flight costs	3,105,854	473,096
Fuel costs	470,790	152,055
Geology	279,903	824,054
Geophysics	43,222	163,809
License fees	25,167	-
LiDAR data collection fees	68,674	312,532
Line cutting	825,785	55,658
Management	72,723	170,307
Miscellaneous exploration costs	415	10,285
Planning	33,157	33,891
Reports	-	10,200
Resource studies	43,146	46,527
Royalty purchase	-	2,605,000
Soil sampling	-	210,056
Staking	24,702	119,979
Survey	9,463	19,009
Travel & accommodation	18,066	23,267
	<u>12,339,753</u>	<u>8,597,907</u>
Balance – End of the period	<u>30,596,595</u>	<u>18,256,842</u>

The following is a detailed break down of administrative expenses incurred for the nine months ended September 30, 2010 with comparative figures for the same period in 2009.

Administrative Expenses	Nine months ended Sept 30, 2010	Nine months ended Sept 30, 2009
	\$	\$
Advertising & Promotion	10,818	40,724
Audit Fees	132,653	104,831
Change in Control/Special Bonuses	-	856,820
Consultant's Fees	683,687	498,660
Corporate Development	-	21,520
Directors Fees & Insurance	47,923	42,093
Filing Fees	74,899	60,607
Investor Relations Fees	115,818	143,847
Legal Fees	994,902	188,707
Office Overhead	157,559	77,915
Salaries	478,973	156,763
Seminars & Conferences	3,170	12,527
Travel & Accommodation	62,614	33,553
	<hr/>	<hr/>
Total Administrative Expenses	<u>2,763,016</u>	<u>2,238,567</u>

National Instrument 51-102 - Section 5.4

Disclosure of Outstanding Share Data (as at November 22, 2010)

Common shares outstanding: 592,709,456

Warrants and compensation options outstanding: 184,127,244

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

Number of Warrants	Exercise Price \$	Expiry Date
11,859,710	0.10	November 2010
6,852,373	0.10	December 2010
250,000	0.10	February 2011
19,545,000	0.15	March 2012
24,424,849	0.15	April 2012
503,824	0.15	May 2012
1,500,000	0.10	June 2012
1,000,000	0.10	July 2012
1,000,000	0.10	August 2012
29,327,809	0.10	October 2012
8,697,500	0.12	October 2012
4,135,000	0.15	December 2012
7,062,325	0.18	December 2012
26,518,854	0.10 U.S.	March 2014
15,000,000	0.10	July 2014
26,450,000	0.10	August 2014

Options outstanding: 53,056,780 - average exercise price of \$0.115

Number of Options	Exercise Price \$	Expiry Date
3,528,580	0.10	November 2010
300,000	0.10	March 2011
1,700,000	0.10	December 2011
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
6,358,500	0.10	October 2014
26,045,000	0.125	May 2015
1,500,000	0.14	June 2015

ADDITIONAL INFORMATION

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