

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED SEPTEMBER 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis (the "MD&A") 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, 2011 is dated November 18, 2011.

COMPANY OVERVIEW

KWG is a mineral resource exploration company incorporated in 1937 in Montreal, Canada. The Company has been active in the James Bay Lowlands of Northern Ontario, starting with the search for diamonds in 1993 and currently focusing on the exploration and development of chromite discoveries in the *Ring of Fire*.

The Company has a 28% interest in the *Big Daddy* deposit, of which Cliffs Chromite Far North Inc. ("Cliffs") (formerly Spider Resources Inc., a wholly owned subsidiary of Cliffs Natural Resources) is currently Operator. While KWG was Operator, a preliminary economic assessment ("PEA") was completed to determine the potential value of the *Big Daddy* chromite deposit (the "Project"). According to the PEA, KWG's interest in the Project demonstrated substantial economic potential, with a net present value of \$1.18 per presently outstanding KWG share, using an 8% discount rate. The PEA recommended that the Project should proceed to the Feasibility Study phase.

KWG has three wholly owned subsidiaries: Canada Chrome Mining Corporation – which holds the Big Daddy interest, Canada Chrome Corporation ("CCC") and Debut Diamonds Inc. ("DDI"). CCC continues consultations regarding the feasibility, development, and financing of a railroad to be used for transporting materials to and from the *Ring of Fire*. DDI controls the MacFadyen Kimberlites and other contiguous exploration properties that are all adjacent to the De Beers Victor diamond mine. On November 7, 2011 KWG announced that all of its shares in DDI would be delivered as a return of capital distribution to KWG's shareholders of record on December 15, 2011.

HIGHLIGHTS

During and subsequent to the three months ended September 30, 2011, the Company:

Corporate

- Announced a normal course issuer bid for the purchase of up to 31.9 million common shares.
- Determined terms for the distribution of 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 will receive 6 shares of DDI on December 28, 2011.

Exploration

- Commenced a 12,000 metre core drilling program on *Big Daddy* with Cliffs as Operator.

CCC

- Received final approval on the filing of \$7,540,987 of assessment work on 241 claims comprising its transportation corridor.

DDI

- Received conditional listing approval from the Canadian National Stock Exchange.
- Has undertaken an analysis of the glacial tills recovered from CCC claims along 330 kilometres.
- Completed high-sensitivity-resolution airborne magnetic survey over its Victor area claims and adjoining prospects.
- Entered an Option Agreement to acquire 70% interest in 33 new diamond targets near Nakina.
- Completed a \$2.1 million share exchange with KWG.
- Completed a \$2 million flow-through private placement.

OUTLOOK

It is gratifying to be able to report that the return of capital represented in the shares of DDI, by way of their distribution to KWG's shareholders - who will receive 6 DDI shares for every 100 KWG shares held, is finally being completed. The KWG shares will trade ex-dividend on December 13, 2011 and the DDI shares have been listed for trading by the Canadian National Stock Exchange.

DDI currently has three substantial and prospective diamond exploration programs underway. Firstly, a new regional high-sensitivity-resolution airborne magnetic survey has been completed over large areas in the Victor Mine vicinity. These newly acquired data are now being analyzed to determine prioritization of targets in the area not previously identified in earlier work. The quality of the data holds great promise for finding new kimberlites in this diamondiferous area hosting the world's most valuable diamonds. Secondly, the suite of samples recovered in the bore holes for soil testing of the CCC corridor claims, are currently being analyzed for kimberlite indicator minerals. This primary exploration for diamonds in a transept extending through 330 kilometres of this diamondiferous part of the Canadian Shield is unprecedented in its magnitude and holds great promise for new discoveries. Thirdly, the option to earn an interest in the 33 newly-identified targets is in preparation for field work this winter. These targets straddle the CCC corridor claims and also represent very promising exploration targets for the discovery of new diamondiferous kimberlites.

As previously reported the Project as described in the PEA includes the development of a railway and power line to the site, an open pit mine and associated crushing plant and infrastructure. It is estimated that the pre-production construction would be completed over a 3 year time period and the open pit would produce a total of 25.35 million tonnes indicated and 13.54 million tonnes of inferred lump chromite mineralization, over a 16 year operating life.

The PEA has estimated that free cash flows generated by the Project alone are sufficient to amortize a large part of the capital cost of constructing a railroad to it. This is highly encouraging for the development of the area and provides an opportunity to explore financing mechanisms for CCC's development of such a railroad. The PEA recommends that additional options be considered through marketing, transportation and mineralization processing studies to provide the preferred option for use in the definitive Feasibility Study.

KWG's non-operating minority interest in the adjacent McFaulds Lake properties, where ten discoveries of economically interesting grades of copper and zinc have been previously found is also enhanced by the PEA demonstrating the viability of the railroad. Management is now actively exploring options to be able to participate in the further development of these and other area discoveries. Presently, the operator UC Resources together with Spider Resources are planning further programs to dilute KWG to a 15% JV interest by incurring a combined total of some \$24.3 million of exploration expenditures in the properties, whereupon KWG may elect to contribute to further programs to maintain its 15% interest.

KWG has earned a 28% interest in the *Big Daddy* mineral claims and will increase this to 30% by funding 50% of \$5 million drilling program to be completed by March 31, 2012. The program goal is

to collect a chromitite sample of sufficient size for pyro-metallurgical testing and to complete resource definition drilling on that portion of the deposit that is amenable to open pit mining. Metallurgical testing and drilling is anticipated to be completed during the first quarter of 2012.

The sale of the NSR has provided the Company with substantial liquidity and management currently has available funding to maintain its ongoing obligations and exploration activities for some considerable time to come. KWG need not now, or in the foreseeable future, continue to raise money by highly dilutive equity issues, each of which provide Cliffs Greene BV with an option to exercise a right of first refusal to increase its percentage ownership in KWG. This substantial liquidity also will enable the Company to take advantage of opportunities to consolidate its competitive position and thus seek to maximize to their best advantage the employment or deployment of its strategic assets. The sale was also very tax effective as the entire proceeds realized as a capital gain on the sale of the shares of a subsidiary, will be completely offset by capital losses incurred many years ago.

OVERALL PERFORMANCE – FINANCIAL

During the third quarter of 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 a net of \$16,820,000 in Canadian dollars after related costs and a loss on the foreign currency exchange due to the stronger Canadian dollar. Half of this amount was deposited with an escrow agent pending a 90 day holding period. These funds were released to the Company on November 3, 2011. The receipt of this cash means that the Company has sufficient funds to meet its ongoing expenditures well into the foreseeable future. The company's other cash inflows were minimal and consisted of interest income and a recovery of administrative expenses from an unrelated company. Expenditures for the third quarter were lower than originally projected due to the planned curtailment of some of the Company's activities.

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. 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 September 30, 2011, the Company had working capital of \$18,013,849 (\$69,453 as at December 31, 2010) including \$7,674,552 in cash and cash equivalents. The Company forecasts operating expenditures of approximately \$2.5 million for 2011. As noted above, the proceeds from the sale of the NSR interests have provided the Company with sufficient funds to cover operating expenses well into the foreseeable future. The Company invests its unexpended cash in highly-liquid, rated financial instruments.

RESULTS FROM OPERATIONS

During the three-month period ended September 30, 2011 the Company recorded a profit of \$13,837,772 (\$0.02 per share) for a cumulative profit of \$12,938,737 (\$0.02 per share) for the nine-month period ended September 30, 2011 (profit of \$1,450,649 (\$0.00 per share) and accumulated loss of \$2,178,346 (\$0.00 per share) for the comparable periods in 2010, respectively). The quarterly profit was a direct result of the sale of the NSR. The quarterly profit for the previous year was a result of the receipt of a termination payment. The period results are explained as follows:

Income

Finance, interest and other income amounted to \$17,592 for the three months ended September 30, 2011 (\$124,221 for the nine months ended September 30, 2011) compared with \$44,579 for the same period in 2010 (\$751,419 for the nine months ended September 30, 2011). This decrease in revenue is due to the recognition of the premium received on the issue of flow-through shares and income recognized on the exercise of warrants designated as liabilities in 2010. Other income has increased in 2011 as a result of receipt of an operator's fee for the *Big Daddy* joint venture and the recovery of administrative expenses charged to an unrelated company.

Expenses

Administrative Expenses

Administrative expenses for the three months ended September 30, 2011 amounted to \$615,033 (\$1,629,537 for the nine months ended September 30, 2011) compared to \$703,585 for the same period in 2010 (\$2,763,016 for the nine months ended September 30, 2010) for a net decrease of \$88,552 (\$1,133,479 cumulative). The following discusses variances in the main components of the administrative expenses:

- Decreased salaries of \$5,000 (cumulative increase of \$112,000) and increased directors fees of \$52,000 (cumulative increase of \$56,000) as a result of having a larger staff complement for the first half of the year compared to the previous year, which results in a decreased need for outside consultants and the payment of a retroactive director's stipend;
- Professional and consultants' fees decreased by \$242,000 (cumulative of \$1,247,000) 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 and investor relations expenses increased by \$100,000 (cumulative of \$41,000) as the Company focused on spending to increase its corporate identity in the marketplace;
- During the third quarter of 2011 the Company recovered \$23,000 (cumulative of \$112,000) of administrative expenses as a result of having operatorship of the *Big Daddy* chrome project and providing services to an unrelated company. There was no such recovery in 2010; and
- Other corporate expenses increased by \$30,000 in the second quarter of 2011 (cumulative of \$16,000) compared to 2010 which included an increase in filing fees of \$17,000 (cumulative decrease of \$13,000) due to the sale of the NSR in 2011 and private placements in the first two quarters of 2010, an increase in expenditures on seminars and conferences of \$1,000 (cumulative of \$3,000), increased overheads \$1,000 (cumulative of \$26,000) due to the opening of a Thunder Bay office and increased travel and accommodation costs of \$11,000 (cumulatively there has been no change).

Realized Gain on Mineral Property Interests

For the three months ended September 30, 2011 the Company realized a gain of \$14,116,630 on the sale of its 1% NSR.

Stock Compensation Costs

Stock compensation costs constitute a non-cash expense. Stock compensation costs for the third quarter of 2011 totaled \$128,755 (\$748,928 cumulative to September 30, 2011) compared with \$353,406 (\$1,461,774 cumulative to September 30, 2010) 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.

Foreign Exchange Gain (Loss)

For the three months ending September 30, 2011, the company realized a foreign exchange loss of \$21,474 (cumulative loss of \$25,677) compared to a gain of \$929 (cumulative gain of \$47,510) in the comparable period of 2010. This was a result of the Company holding a net negative US working capital balance throughout the first nine months of 2010 while the Canadian dollar strengthened against its US counterpart. Throughout the first nine months of 2011 the Company has maintained a positive US balance while the Canadian dollar continued to strengthen.

SUMMARY OF QUARTERLY RESULTS

(Thousands of dollars except amount per share)

<i>Quarter ending</i>	<i>Total income</i>	<i>Profit (loss)</i>	<i>Income (loss) per share (basic and diluted)</i>
September 30, 2011	14,134	13,837	0.02
June 30, 2011	95	141	<(0.01)
March 31, 2011	14	(1,040)	<(0.01)
December 31, 2010	3,105	(4,065)	<(0.01)
September 30, 2010	2,345	1,451	<0.01
June 30, 2010	666	(1,766)	<(0.01)
March 31, 2010	41	(1,863)	<0.01
December 31, 2009*	2	(688)	<(0.01)
September 30, 2009*	1	(949)	<(0.01)

* Pre-transition to Canadian GAAP

Profit 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, stock compensation costs during such quarters and adjustments resulting from the revaluation of the warrant liability. The net profit in the third quarter of 2010 resulted from the receipt of the termination payment from Spider Resources Inc.

The foregoing financial data has been prepared in accordance with Canadian GAAP up to December 31, 2009 and under International Financial Reporting Standards ("IFRS") thereafter. There is insufficient information available to adjust all prior periods to the new IFRS standards. The reporting currency of such financial data is Canadian dollars.

COMMITMENTS

Pursuant to flow-through financing agreements closed during the first quarter of 2011, the Company is required to incur an additional \$735,216 in exploration expenses by December 31, 2012.

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 2011, officers and companies controlled by officers charged consulting fees totalling \$144,358 (September 30, 2010 - \$231,472) of which \$nil remained payable at September 30, 2011 (September 30, 2010 - \$11,566) and directors of the Company and a company controlled by a director of the Company charged \$nil (September 30, 2010 - \$198,095) for professional consulting services and directors fees of which \$nil remained payable at September 30, 2011 (September 30, 2010 - \$nil). Directors' fees paid for the first nine months of 2011 totalled \$94,000 (\$41,600 in 2010).

NEW ACCOUNTING POLICIES

IFRS issued by the International Accounting Standards Board ("IASB") have been adopted in the Company's Unaudited Interim Consolidated Financial Statements. Note 3 thereto includes the accounting policies that have been applied in preparing the financial statements for the three and nine month periods ended September 30, 2011 and 2010. 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 17 to the Unaudited Interim 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. The project plan is essentially complete with only post-implementation review outstanding. However, the Company will continue to monitor the publications of the Mining Industry Task Force and how practice develops with respect to some of the more industry-specific matters such as accounting for flow-through financings.

Note 17 to the Unaudited Interim 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.

The Company's guiding principle during the transition has been to manage the number of changes and to minimize the effect of implementation of IFRS unless there was a compelling reason for change. Where pre-transition Canadian GAAP was consistent with IFRS, the Company generally made no change to its accounting policies. Certainly the volume of disclosure has increased. At present, the Company took a more conservative approach to disclosure but it expects to streamline future disclosures as part of its post-implementation review and ongoing monitoring of industry practice.

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; and
- to adopt retroactive capitalization of borrowing costs to qualifying assets.

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

Property and Equipment

The Company has chosen to continue to account for its property and equipment using the cost model.

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 chosen to record 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 made a best-efforts attempt to calculate the historic impact of renunciation and premium recognition; given that historic differences would represent a reclassification between share capital, warrants and deficit upon transition, the Company considers that any differences are not material.

Finance income and finance costs

Under IFRS there are several reclassifications required to report the components of finance income and finance costs. The Company has chosen to record the premium on flow-through as a component of finance income.

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. This is not expected to represent a major change for the Company.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Mineral Property Interests

Mineral Property Interests include rights in mining properties and deferred exploration expenses. Exploration costs, except those incurred prior to acquiring licenses on the subject property, are deferred until the economic viability of the project has been established, at which time costs are added to the asset account. 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, deferred 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 deferred 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, 2011 US dollar denominated balances included cash of US\$219,678 (US\$46,710 in 2010), receivables of US\$9,000,000 (US\$nil in 2010) and accounts payable of US\$nil (US\$291,011 in 2010).

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, 2011, the Company had sufficient funds available to satisfy its obligations under trade and other payables and commitments.

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. During the third quarter, the Company sold a non-core asset thereby providing sufficient funds to support its exploration activities as well as ongoing administrative costs well into the foreseeable future.

Price Risk

The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of developing the Company's mineral properties. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Price risk is remote since the Company is not a revenue producing entity.

RISKS FACTORS & UNCERTAINTIES

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 operating profits in the short to medium term. Any profitability in the future from the Company's operating 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.

Going Concern

KWG's ability to continue as a going concern is dependent upon its ability to achieve profitable operations in the future and, in the meantime, to obtain the necessary financing, if needed, to meet its obligations and repay its liabilities arising from normal business operations when they become due. The Company's present cash position is sufficient to meet projected expenditures for the remainder of the current year as well those budgeted for fiscal 2012.

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 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. KWG's liquidity as at the date hereof is sufficient to meet KWG's corporate, administrative and exploration expenses and commitments for the remainder of 2011. KWG's 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 main funding requirements for 2011 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 \$2.5 million in the aggregate. As a result of the sale of the 1% NSR in August 2011, KWG has sufficient resources to fund its operations throughout the 2011 financial year and into the foreseeable future.

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 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, 2011 with comparative figures for the year ended December 31, 2010 on a property by property basis.

Spider No. 1/MacFadyen and Kyle

Cost and deferred exploration expenses	Nine months ended September 30, 2011	Year ended December 31, 2010
	\$	\$
Balance – Beginning of the period	<u>2,516,896</u>	<u>2,501,951</u>
Exploration expenses		
Drilling	(24,000)	-
Engineering	-	9,445
Management	-	5,500
Reports	-	-
	<u>(24,000)</u>	<u>14,945</u>
Balance – End of the period	<u>2,492,896</u>	<u>2,516,896</u>

Freewest

Cost and deferred exploration expenses	Nine months ended September 30, 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	110,928	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	-
Shortfall payment	661,016	-
Survey	-	32,898
	<u>1,060,724</u>	<u>1,694,019</u>
Balance – End of the period	<u>7,515,115</u>	<u>6,454,391</u>

Diagnos

Cost and deferred exploration expenses	Nine months ended September 30, 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
	<u>-</u>	<u>91,255</u>
Balance – End of the period	<u>189,120</u>	<u>189,120</u>

Pele Mountain

Cost and deferred exploration expenses	Nine months ended September 30, 2011	Year ended December 31, 2010
	\$	\$
Balance – Beginning of the period	556,878	479,278
Exploration expenses		
Consulting	-	77,600
Reports	5,500	-
Staking	7,412	-
	<u>12,912</u>	<u>77,600</u>
Balance – End of the period	<u>569,790</u>	<u>556,878</u>

Railway Infrastructure

Cost and deferred exploration expenses	Nine months ended September 30, 2011	Year ended December 31, 2010
	\$	\$
Balance – Beginning of the period	14,313,571	2,897,437
Exploration expenses		
Assaying & testing	30,705	-
Camp expenses	34,635	344,889
Claims staking	31,967	-
Draft closure plan	(9,000)	33,008
Engineering costs	803,501	6,310,314
Field consultants	34,385	226,413
Flight costs	14,090	3,105,854
Fuel costs	-	467,596
LiDAR data collection fees	-	98,106
Line cutting	-	810,643
Surveying	153,800	-
Travel & accommodation	360	19,311
	<u>1,094,443</u>	<u>11,416,134</u>
Balance – End of the period	<u>15,408,014</u>	<u>14,313,571</u>

Smelter Royalty

Cost and deferred exploration expenses	Nine months ended September 30, 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	<u>2,702,587</u>	<u>2,682,587</u>

Victor West

Cost and deferred exploration expenses	Nine months ended September 30, 2011	Year ended December 31, 2010
	\$	\$
Balance – Beginning of the period	119,979	119,979
Exploration expenses		
Staking	10,209	-
Balance – End of the period	130,188	119,979

Nakina Project

Cost and deferred exploration expenses	Nine months ended September 30, 2011	Year ended December 31, 2010
	\$	\$
Balance – Beginning of the period	-	-
Acquisition costs	560,216	-
Balance – End of the period	560,216	-

All Projects Combined

Cost and deferred exploration expenses	Nine months ended September 30, 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	30,705	-
Camp expenses	34,635	601,022
Consulting	-	117,150
Draft closure plan	(9,000)	33,008
Drafting	-	9,703
Drilling	86,928	836,179
Engineering	803,501	6,319,759
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	12,286	286,091
Geophysics	-	43,222
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	153,800	32,898
Travel & accommodation	360	19,311
	<u>2,174,288</u>	<u>13,343,953</u>
Write downs taken in the year	-	(210,661)
Properties sold during the quarter	<u>(2,702,587)</u>	<u>-</u>
Balance – End of the period	<u>31,422,051</u>	<u>31,390,134</u>

The following is a detailed break-down of administrative expenses incurred for the nine months ended September 30, 2011 with comparative figures for the same period in 2010.

Administrative Expenses	Nine months ended September 30, 2011 \$	Nine months ended September 30, 2010 \$
Advertising & Promotion	134,131	10,818
Audit Fees	99,875	132,653
Consultant's Fees	277,848	683,687
Directors Fees & Insurance	103,854	47,923
Filing Fees	61,967	74,899
Investor Relations Fees	33,890	115,818
Legal Fees	186,486	994,902
Office Overhead	183,629	157,559
Salaries	591,445	478,973
Seminars & Conferences	6,343	3,170
Travel & Accommodation	62,467	62,614
Administrative recovery	(112,398)	-
Total Administrative Expenses	<u>1,629,537</u>	<u>2,763,016</u>

National Instrument 51-102 - Section 5.4

Disclosure of Outstanding Share Data (as at November 18, 2011)

Common shares outstanding: 636,878,941

Warrants outstanding: 169,065,162

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

Number of Warrants	Exercise Price \$	Expiry Date
2,416,269	0.10	October 2011
4,000,000	0.15	February 2012
19,495,000	0.15	March 2012
24,928,673	0.15	April 2012
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
17,208,015	0.10 U.S.	March 2014
9,310,839	0.10 U.S.	April 2014
15,000,000	0.10	July 2014
26,400,000	0.10	August 2014

Options outstanding: 61,543,200 - average exercise price of \$0.115

Each option entitles the holder to purchase one Common Share of the Company at the following prices:

<i>Number of Options</i>	<i>Exercise Price \$</i>	<i>Expiry Date</i>
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
5,673,500	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

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 dividend 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).