MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2008

This management's discussion and analysis (the "MD&A") follows rule 51-102A of the Canadian Securities Administrators regarding continuous disclosure for reporting issuers. It is a complement and supplement to the annual and quarterly financial statements 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.

1.1 DATE

This MD&A for the period ended December 31, 2008 is dated March 16, 2009.

1.2 FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements that are based on the Company's expectations, estimates and projections regarding its business, the mining industry in general and the economic environment in which it operates as of the date of the MD&A. These statements are reasonable but involve a number of risks and uncertainties, and there can be no assurance that they will prove to be accurate. Therefore, actual outcome and results may differ materially from those expressed in or implied by these forward-looking statements. The risk and uncertainties are further described in section 1.16 of this MD&A and include risks inherent to mining exploration and development, fluctuating prices, operating hazards and risks, management and control, title to assets, government regulation, environmental factors, land claims, and requirement of new capital. The Company cautions that this list of risks and uncertainties is not exhaustive.

1.3 NATURE OF ACTIVITIES

KWG Resources Inc., ("KWG" or the "Company"), is an exploration stage company with properties in Ontario, Canada. KWG has two property groups: the chromite, nickel, base metal group and the diamond group held in a wholly owned subsidiary, Debuts Diamonds Inc. ("DDI"). KWG has no income from production since all its properties are at the exploration stage.

1.4 RECENT DEVELOPMENTS AND OUTLOOK

KWG is redirecting its strategic objective to the development of the chrome project and as part of this change of strategy, entered into an option to purchase securities agreement with Cliffs Natural Resources Inc., on January 20, 2009, for the purchase and acquisition of certain securities of the Company in the aggregate amount of CAN$4,516,750 (US$3,500,000). Significant recent developments since the last interim MD&A dated November 27, 2008 are discussed below under the following headings:

(A) **Option to purchase securities agreement with Cliffs Natural Resources Inc.**
(B) **Drilling results from Chromite discovery on Freewest Option**
(C) **World-wide market liquidity crisis**
(D) **Debuts Diamonds Inc. becoming a reporting issuer**

(A) Option to purchase securities agreement with Cliffs Natural Resources Inc.

On January 20, 2009, Cliffs Natural Resources Inc. ("**Cliffs**") entered into an Option to Purchase Securities (the "**Option Agreement**") with the Company to purchase and acquire certain securities of the Company in the aggregate amount of US$3,500,000. As permitted the Option Agreement, on March 16, 2009, Cliffs assigned the Option Agreement to an affiliated entity, Cliffs Greene B.V. ("**Cliffs B.V.**").

On March 16, 2009, Cliffs B.V. exercised the Option and acquired (i) 50,448,987 units comprised of 50,448,987 common shares and 22,224,784 warrants of the Company and (ii) a debenture. As a result, Cliffs B.V. holds, as at the date hereof, approximately 14.9% of the issued and outstanding common shares of the Company. Refer to Section 1.5 “Overall Performance – Financial”.

Cliffs is an international mining company, the largest producer of iron ore pellets in North America and a major supplier of metallurgical coal to the global steelmaking industry. It operates six iron ore mines in Michigan, Minnesota and Eastern Canada, and three coking coal mines in West Virginia and Alabama. Cliffs also wholly-owns Portman Limited, a large iron ore mining company in Australia, serving the Asian iron ore markets with direct-shipping fines and lump ore. In addition Cliffs has a 30% interest in the Amapá Project, a Brazilian iron ore project, and a 45% economic interest in the Sonoma Project, an Australian coking and thermal coal project.

(B) **Drilling results from Chromite discovery on Freewest Option:** During 2008, the main exploration focus of the KWG-Spider Joint Venture was the massive chromite occurrence that was first discovered on the Freewest Option property in March of 2006. As a result of the 2008 drilling program that included 19 drill holes, 14 of which continued the testing of this chrome occurrence, the occurrence is now referred to as the “Big Daddy Chromite Deposit”. This deposit is located approximately 3.6 kilometers northeast of Noront Resources Ltd's ("Noront") Eagle One Magmatic Massive Sulphide (Nickel Copper and PGM), or five 5 kilometers northeast of Noront’s Blackbird (Chromite) discoveries, as well as 4 kilometers southwest of Freewest’s Black Thor Chromite discoveries.

Current Program: Crews mobilized to the field on January 8th, 2009 to resume the linecutting program in preparation for the 2009 program. The current approved phase of exploration includes: line cutting (re-establishing a 2004 drill grid – the J grid - including extensions thereto), ground geophysical surveying (including magnetic gradiometer and gravimetric surveying), re-logging of historical core to standardize lithological units, infill sampling of zones of weaker chromite mineralization, metallurgical tests, as well as the preparation of a NI-43-101 technical report on the project. Future plans, yet to be approved by the Joint Venture committee, include the continued exploration of the project by extensive diamond drilling to delineate and to continue to expand the resource potential of the Big Daddy Chrome Deposit.

Joint Venture with Freewest: KWG and Joint Venture partner Spider (the optionees), recently received confirmation notice from Freewest (the optionor), that: (i) pursuant to section 2.04 of the Agreement, each of KWG and Spider has incurred an aggregate of $1,500,000 of Expenditures on or before October 13, 2009, of which at least $200,000 was incurred on or before February 28, 2006; and (ii) accordingly, each of KWG and Spider has earned a 15% interest in the Property pursuant to section 2.07 (a) of the Agreement.

Diamond drilling by the KWG/Spider JV, has identified a northeast trending zone of continuous chrome mineralization, that extends from local grid line 9+00 meters NE to 13+00 NE. The mineralized zone dips towards the NW at about 70 degrees and consists of varying widths of a variable tenor of chrome mineralization, forming a series of stacked lenses. Additional infill drilling will be required to confirm continuity of the lenses from section to section.

The deposit remains open to depth as well as along strike in both directions. In addition, near surface drilling of the upwards extension to surface has not been completed. All drill data is being added to a 3-D Gemcom model to visualize the chromite body. Assays, when they become available will be added into this model, to provide average grade estimates. A number of faults were noted in the drilling logs, some of which occur at the contact of the chromite with the surrounding peridotite/dunite; these fault sets are also being modelled, as they also affect the interpretation and continuity of the mineralization from section to section.

Assay Data Recently Received for Big Daddy: Analytical results have recently been received for seven holes drilled in 2008: FW-08-15, FW-08-18, FW-08-19, FW-08-20, FW-08-21, FW-08-22 and FW-08-23. Each of these holes intersected massive chromite.

Table 1: Recently received analysis

Hole ID	from (m)	to (m)	int (m)	Cr2O3%	Cr%	Fe%	Cr:Fe	Ni%	Pt(g/t)	Pd(g/t)	Au(g/t)	TPM
FW-08-15	73.5	81.0	**7.5**	NA	NA	NA	NA	0.16	0.25	1.23	0.01	**1.49**
followed by	81.0	173.8	92.8	12.20	8.30	10.60	0.78	0.14	0.12	0.21	0.00	0.33
then	159.2	171.3	**12.1**	**32.2**	22.00	18.60	1.18	0.11	0.19	0.23	0.01	0.43
then	173.8	179.1	**5.3**	NA	NA	NA	NA	0.30	0.73	1.63	0.14	**2.50**
FW-08-18	18.0	33.0	15.0	6.26	4.28	9.68	0.44	0.14	0.05	0.04	0.01	0.10
FW-08-18	67.5	138.0	70.5	24.89	17.02	13.02	1.31	0.13	0.10	0.11	0.00	0.21
incl.	106.0	138.0	**32.0**	**37.47**	25.63	15.68	1.63	0.11	0.09	0.06	0.00	0.15
FW-08-19	141.0	161.95	20.95	12.04	8.23	10.13	0.81	0.15	0.12	0.14	0.01	0.27
including	141.5	144.1	**2.6**	**31.32**	21.40	13.79	1.55	0.13	0.20	0.22	0.02	0.44
then	161.95	183.0	**21.05**	NA	NA	NA	NA	0.10	0.73	0.95	0.05	**1.73**
including	167.2	171.0	**3.8**	NA	NA	NA	NA	0.14	2.15	2.86	0.17	**5.18**
then	183.0	229.5	**46.5**	**37.18**	25.44	15.30	1.66	0.11	0.21	0.19	0.00	0.40
FW-08-20	261.0	336.95	75.95	23.25	15.90	11.32	1.40	0.13	0.15	0.14	0.01	0.30
including	304.3	336.95	**32.65**	**39.56**	27.06	14.37	1.88	0.11	0.22	0.17	0.01	0.40
FW-08-21	259.45	282.0	22.55	1.29	0.88	6.38	0.14	0.30	0.07	0.14	0.00	0.21
then	313.45	318.9	5.45	0.75	0.51	1.90	0.27	0.12	0.27	0.44	0.01	0.72
followed by	318.9	320.95	2.05	17.47	11.93	12.3	0.97	0.45	0.13	0.26	0.00	0.39
then	360.0	417.0	57.0	17.52	11.98	11.64	1.03	0.14	0.11	0.14	0.11	0.36
including	376.0	385.8	**9.8**	**31.90**	21.84	18.29	1.19	0.08	0.12	0.07	0.00	0.19
also including	406.2	417.0	**10.8**	**39.22**	26.81	17.53	1.53	0.11	0.16	0.11	0.56	0.83

Hole ID	from (m)	to (m)	int (m)	Cr203%	Cr%	Fe%	Cr:Fe	Ni%	Pt g/t	Pd g/t	Au g/t	TPMg/t
FW-08-22	54.3	57.0	2.7	6.12	4.19	9.57	0.44	0.08	0.05	0.05	0.01	0.11
followed by	192.2	298.5	106.4	19.42	13.28	11.34	1.17	0.14	0.13	0.15	0.01	0.29
including	263.7	298.5	34.8	42.08	28.79	15.92	1.81	0.11	0.19	0.17	0.01	0.37
then	298.5	303.0	4.5	NSV	NSV	NSV	NSV	0.08	0.43	0.85	0.05	1.33
FW-08-23	263.5	376.5	113.0	17.65	12.07	11.04	1.09	0.13	0.11	0.13	0.00	0.25
including	334.5	376.5	42.0	34.96	23.92	13.95	1.71	0.11	0.18	0.13	0.01	0.32
including	353.0	372.0	19.0	40.00	27.37	14.81	1.85	0.10	0.20	0.10	0.01	0.30
followed by	378.0	382.0	4.0	40.84	27.94	16.75	1.67	0.11	1.08	1.50	0.08	2.66

NSV refers to no significant values; NA refers to not assayed.

The above tabulation of drill intercepts and assay results are core lengths only, and do not represent true width for the mineralized zones. Additional drilling is required to determine true widths.

Drilling took place with reference to a local grid, labeled Grid J. The drills were set to drill grid south 150 degrees in each instance, and the initial dip of each hole was set at -50 degrees. Table 2 provides drill collar co-ordinates for these five holes, as well as other holes previously drilled (and reported upon) on the Big Daddy Chrome occurrence, all azimuth directions are true North readings. The UTM spheroid used for determining location was NAD 83 Zone 16, both UTM and local grid co-ordinates are given.

Hole FW-08-15 on local grid section L11+50E intersected a length of platinum and palladium mineralization, where the Total Precious Metals (TPM) averaged 1.49 g/t (gram/tonne) over 7.5 meters, followed by a 92.8 meter section of semi-massive chromite that averaged 12.3% Cr2O3, including a 12.1 meter section of massive chromite with an average of 33.1% Cr2O3 followed by a 5.3 meter section of peridotite that averaged 2.5 g/t TPM. The higher grade chromite beds had a moderate Cr:Fe ratio of 1.18.

Hole FW-08-18 on local grid section L12+00E intersected a weakly mineralized chrome section over 15.0 meters containing an average of 6.3% Cr2O3, followed by a much better mineralized section further down the hole over where a 70.5 meter zone of semi-massive to massive chromite averaged 24.9% Cr2O3 including a section of 32 meters containing 37.5% Cr2O3. The latter intercept has a very favorable Cr:Fe ratio of 1.63.

Hole FW-08-19 on local grid section L12+00E intersected a weakly mineralized chrome section that over 21 metres averaged 12.04% Cr2O3 including a short higher grade section that averaged 31.32% Cr2O3 over 2.6 metres. The higher grade interval has a favorable Cr:Fe ratio of 1.55. This section was followed by a relatively enriched section of platinum group metals sandwiched between two chrome layers that averaged 1.69 g/t TPM over 21 metres including 3.8 metres that averaged 5.18 g/t TPM (2.15g/t Pt, 2.86 g/t Pd and 0.17 g/t Au). This was followed by a thick high grade chrome bed that averages 37.18% Cr2O3 over 46.5 metres with a Cr:Fe ratio of 1.66.

Hole FW-08-20 on local grid section L12+00E intersected a moderately mineralized chrome section over 76.0 metres containing an average of 23.25% Cr2O3, including a section of 32.7 metres containing 39.56% Cr2O3. The latter intercept has a very favourable Cr:Fe ratio of 1.88.

Hole FW-08-21 on local grid section L12+00E intersected a very weakly mineralized chrome section that over 22.5 metres averaged 1.29% Cr2O3, as well as 0.30% Nickel. This was followed by a 5.5 meter section that averaged 0.75 g/t TPM, followed by 2.1 metres averaging 17.47% Cr2O3. A third chromite bed was encountered further down the hole, that over 57 metres averaged 17.52% Cr2O3 including 9.8 metres that averaged 31.9% Cr2O3, as well as another higher grade interval that averaged 39.22% Cr2O3 over 10.8 metres. This latter interval contained 0.83 g/t TPM as well and has a favorable Cr:Fe ratio of 1.53.

Hole FW-08-22 on local grid section L13+00E intersected two main areas of chromite mineralization, including a short (2.7 metres) section between 54.3 and 57.0 metres that returned 6.12% Cr2O3. Further down this hole, a much wider zone (106.4 metres) of chromite mineralization was encountered between 192.2 and 298.5 metres that averaged 19.41% Cr2O3, including a much higher grade interval between 263.7 and 298.5 metres (34.8 metres) that averaged 42.08% Cr2O3 that exhibits a favourable Cr:Fe ratio of 1.81. The chromite mineralization was followed by a 4.5 metre section between 298.5 and 303 metres downhole that averaged 1.33 total precious metals.

Hole FW-08-23 on local grid section L13+00E undercut hole FW-08-22 and intersected a well mineralized chrome section over 114.5 meters containing an average of 17.65% Cr2O3, including a much stronger mineralized section where a 43.5 meter zone of massive chromite averaged 34.96% Cr2O3 including a 19.0 meter section averaging containing 40.0% Cr2O3 with a Cr:Fe ratio of 1.85. Then between 378.0 and 382.0 a 4 metre drill interval averaged 40.84% Cr2O3 as well as total precious metals of 2.66 g/t. The latter intercept also has a very favourable Cr:Fe ratio of 1.67.

Table 2 Drill hole locations for Big Daddy Chrome Deposit

Hole ID	**UTM** Easting (m)	**UTM** Northing (m)	**Local Grid** Easting (m)	**Local Grid** Northing (m)	**Azimuth** degrees	**Inclination** degrees	**Length** (m)
FW-06-03	551087	5845306	10+00 E	15+25 N	120°	-50°	353.5
FW-08-05	551050	5845367	L10+00E	16+00N	150°	-50°	327
FW-08-06	550959	5845324	L9+00E	16+00N	150°	-50°	384
FW-08-07	551136	5845427	L11+00E	16+00N	150°	-50°	405.7
FW-08-12	551111	5845472	L11+00E	16+50N	150°	-50°	354
FW-08-13	551164	5845384	L11+00E	15+50N	150°	-50°	297
FW-08-14	551180	5845451	L11+50E	16+00N	150°	-50°	189
FW-08-15	551158	5845494	11+50E	16+50N	150°	-50°	240
FW-08-18	551192	5845511	12+00E	16+50N	150°	-50°	255
FW-08-19	551168	5845554	12+00E	17+00N	150°	-50°	273
FW-08-20	551134	5845599	12+00E	17+50N	150°	-50°	357
FW-08-21	551118	5845650	12+00E	18+00N	150°	-50°	447
FW-08-22	551208	5845693	13+00E	18+00N	150°	-50°	330
FW-08-23	551171	5845732	13+00E	18+50N	150°	-50°	424

Additional Anomaly Testing Results: Two additional drill holes were drilled into a magnetic anomaly located 1.2 kilometres to the NW of the Big Daddy chromite occurrence, near the northwestern corner of the option property. The holes were set up at the same collar location of 550875mE at 5846305mN (UTM co-ordinates). The first was inclined at -50 degrees, the second at -65 degrees, and both were drilled at an azimuth of 315 degrees. The anomaly consisted of a strong magnetic and subtle electromagnetic conductivity response. A sulfide zone within the geophysically rendered NW trending Banded Iron Formation ("BIF"), was intersected returning the following results (Table 4).

Hole ID	**from (m)**	**to (m)**	**int (m)**	**Cu%**	**Ni%**
FW-08-16	138.0	139.0	1.0	0.93	2.04
FW-08-17	146.5	148.0	1.5	0.12	0.01

The assay results infer an enrichment in base metals in the BIF, particularly in hole FW-08-16 where 1.0 metre returned an assay of 0.93% Copper and 2.04% Nickel. The significance of this intersection needs to be further investigated.

(C) **World-wide Market Liquidity Crisis:** The current world-wide market liquidity crisis continues. While many companies have put exploration programs on hold, KWG has maintained its mineral properties in good standing. Fortunately, KWG subsidiary, Debuts, has sufficient assessment credits on its MacFadyen Kimberlites claims to maintain its MacFadyen, Pele and Unifom Surround claims in good standing beyond 2010 through the process of assessment credit redistribution. In addition to on going working capital requirements, KWG has sufficient funds for its immediate exploration expenses on the chrome, nickel & base metals claims in northern Ontario and general and administrative costs. KWG intends to pursue a prudent policy allocating available money to maintain existing properties and developing the chrome project in 2009.

(D) **Debuts Diamonds Becoming a Reporting Issuer:** On December 17, 2008, DDI became a reporting issuer in Ontario. DDI has been relatively inactive since then. DDI has a pending application to trade on the CNSX. KWG intends to deliver its DDI's common shares pro rata to the KWG shareholders.

1.5 OVERALL PERFORMANCE - FINANCIAL

During 2008, KWG closed two private placements totaling $ 569,500 in gross proceeds; KWG also issued 796,000 common shares upon exercise of warrants and compensation options for which KWG received $69,240. On December 31, 2008, KWG had $1,528,877 cash and cash equivalents which compared to $5,472,150 on December 31, 2007.

On March 16, 2009, Cliffs B.V. exercised the Option granted by the Company pursuant to the Option Agreement dated January 20, 2009 between the Company and Cliffs and acquired:

(1) 50,448,987 units of the Company (each a “Unit”) at a subscription price of US$0.048894 per Unit, with each Unit comprised of one (1) common share in the capital of the Company (each a “Common Share”) and approximately 0.44 of a non-transferable Common Share purchase warrant of the Company (each such whole common share purchase warrant, a “Warrant”), with each Warrant entitling Cliffs to purchase one (1) Common Share at US$0.05 during the first year after issuance thereof and US$0.10 thereafter. Each Warrant would be exercisable for a period of 20 business days following the issuance by the Company of five (5) Common Shares upon the exercise of any of the warrants, options and other rights to purchase or obligations to issue Common Shares outstanding as at the date of execution of the Option Agreement, and would terminate on the fifth anniversary of the date of issuance of the Warrants; and

(2) a non-transferable, non-interest bearing, secured convertible debenture of the Company in the principal amount of US$1,033,398, such amount being equal to the difference between US$3.5 million and the aggregate subscription price of US$2,466,602 payable for the Units above (the “Debenture”). The Debenture would not be convertible unless and until all conditions prescribed by the TSX Venture Exchange, including the approval of the shareholders of the Company (the “Shareholder Approval”) to the issuance of the Units upon conversion of the Debenture, have been satisfied or waived. In the event that all of such conditions would not be satisfied or waived on or before April 15, 2009, Cliffs would have the right to demand repayment thereof, in which event the Company would be required to pay to Cliffs a credit facility termination fee of US$50,000 (the “Termination Fee”) provided, however, that if the Shareholder Approval is not obtained, the Company would be required to immediately repay, in full, the principal amount of the Debenture and pay to Cliffs the Termination Fee. Upon satisfaction or waiver of such conditions, all of the principal amount of the Debenture is to be converted automatically and without any further action on the part of the Company or Cliffs into Units at the rate of US$0.048894 per Unit resulting in a further issuance to Cliffs of 21,135,069 Units comprised of 21,135,069 Common Shares and 9,310,839 Warrants. The sole security to be granted by the Company is to be comprised of cash in an amount equal to the principal amount of the Debenture plus the Termination Fee.

Pursuant to its terms, the Debenture may only be converted into Common Shares and Warrants in the event the Shareholder Approval is obtained. As such the Debenture would be automatically converted without any further action of the Company or Cliffs, resulting in a proposed issuance to Cliffs of an additional 21,135,069 Common Shares and 9,310,839 Warrants. The policies of the TSXV require that the issuance of such additional Common Shares and Warrants upon the conversion of the Debenture be approved by the disinterested shareholders of the Company as such conversion would result in Cliffs becoming a new “control person” as defined under the policies of the TSXV.

Following the Shareholders Approval and the conversion of the Debenture, Cliffs would hold approximately 71,584,056 Common Shares and 31,535,623 Warrants, representing approximately 19.9% of the outstanding Common Shares of the Company, on a fully diluted basis calculated as at the date of the Option Agreement.

1.6 LIQUIDITY & CAPITAL RESOURCES

The main source of financing for KWG is the issuance of equity shares. Each of KWG's projects has demonstrated sufficient evidence of geological merit to warrant additional exploration. However, it is not presently possible to estimate the cost of further exploration programs, which may or may not bring individual properties to a subsequent stage of development, since they are all exploration projects and their development depends on the results of exploration.

On December 31, 2008, KWG had working capital of $1,294,914 compared to $5,451,501 on December 31, 2007. The 2008 working capital includes $1,624,956 in cash and accounts receivable (2007 - $5,532,685) of which $369,808 is reserved for exploration expenses to be made in Canada before December 31, 2009 (2007 – $3,363,015). On average, cash required for annual operating activities is approximately $825,000; while the working capital available for non-exploration activities amounts to approximately $920,000. KWG has adequate working capital to finance its corporate and administrative activities in 2009.

Refer to Section 1.5 for the details of the subscription by Cliffs B.V. The total subscription of CAN$4,312 007 (US$3,500,000) will ensure the financing of the exploration programs as well as provide the necessary working capital funds for 2009.

1.7 RESULTS FROM OPERATIONS

The loss for the year ended December 31, 2008 amounted to $11,131,901 ($0.04 per share) mainly due to important write-downs of mining assets compared to $891,655 ($0.01 per share) in 2007. The following are the main variances of results from operations:

i. ***Interest income – $93,036 (2007 - $28,215)***

The average cash balance bearing interest was higher in 2008 than it was in 2007.

ii. ***Gains on disposal of royalty - $117,751 (2007 - $ nil)***

In December 2004, the Company disposed of its interest in Haiti in consideration for work commitments from the purchaser and a 1.5% NSR on all mineral products from the Haitian properties. The purchaser has the right to buy back the NSR by paying to the Company US$750,000 in two installments of (i) US$250,000 and (ii) US$500,000 respectively. In 2008, the Company agreed to reduce the remaining price of repurchase of the royalty to US$100,000 and received the last two installments totaling $117,751 (US$100,000). This amount was recorded as a gain on disposal of royalty since all Haitian properties had been written off in accordance with the Company's accounting principle.

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iii. ***Administrative expenses - $1,030,819 (2007 - $615,198)***

The increase is mainly related to the creation, in 2007 and 2008, of the two wholly-owned subsidiaries (DDI, and SMD Mining Corporation ("SDM"), a wholly-owned subsidiary of DDI), the transfer of the diamond group claims to DDI and the non-offering prospectus. In 2008, DDI and SMD incurred a total of $336,388 in administrative costs (2007 - $37,112).

iv. ***Stock compensation costs - $448,037 (2007 - $466,432)***

Stock compensation costs constitute a non-cash expense. While the 2008 stock compensation costs were higher than the 2007, actual cash outlay was not affected.

The Company granted 3,379,700 options in 2008 and 11,310,000 in 2007. A significant number of 2007 options vested in 2008.

v. ***Write-down and write-off of mining assets - $10,829,266 (2007 - $Nil)***

In April 2008, the Company transferred to its wholly-owned subsidiary DDI, the diamond group claims. An independent valuation of the mining assets transferred was made and the fair market value was established at $7,000,000. Consequently, the Company recorded a write-down of mining assets of $5,383,821, prior to the transfer. In December 2008, given the market conditions (Refer to Section 1.15), the Company recorded an additional write-down of $5,311,380 for a total of $10,695,201.

In 2008, the Company decided to write-off ($18,000) the Greenstone claims and the Geraldton claims ($116,605) since no exploration work was performed during the year and no significant expenses are planned for 2009.

1.8 SELECTED FINANCIAL INFORMATION - THREE YEAR FINANCIAL HIGHLIGHTS

(Thousands of dollars, except amount per share)

	Fiscal years ended December 31		
	2008	2007	2006
	$	$	$
Working capital	1,295	5,452	640
Total assets	11,502	22,514	16,420
Total income	211	28	146
Loss	(11,132)	(892)	(743)
Loss per share (basic and diluted)	(0.04)	(0.01)	(0.01)

1.9 SUMMARY OF QUARTERLY RESULTS

(Thousands of dollars, except amount per share)

Quarter	Total income ($)	Loss ($)	Loss per share (basic and diluted) ($)
December 31, 2008	87	(4,695)	<(0.02)
September 30, 2008	54	(333)	<(0.00)
June 30, 2008	25	(5,673)	<(0.02)
March 31, 2008	45	(431)	<(0.00)
December 31, 2007	25	(492)	<(0.01)
September 30, 2007	3	(219)	<(0.00)
June 30, 2007	-	(226)	<(0.00)
March 31, 2007	-	(125)	<(0.00)

1.10 FOURTH QUARTER RESULTS

Administrative costs during the fourth quarter of 2008 amounted to $ 346,124 (2007 - $224,112). The increase is related to finalization of the Debuts Diamonds non-offering prospectus and the increase in the activities of the Companies. The fourth quarter loss included a write-down of the diamond group claims of $5,311,380 and an income tax recovery of $1,140,000.

1.11 COMMITMENT

Pursuant to flow-through financing agreements closed during the year ended December 31, 2008, the Company must incur $ 369,808 in exploration expenses by December 31, 2009.

If at the general and special meeting of the shareholders of the Company to be held on April 15, 2009, the conversion of the debenture held be Cliffs Greene B.V. there will result a change of control of the Company for purposes of certain employment and consulting agreements between the Company and its directors and officers the Company will make payments in an aggregate amount of $435,000 to directors and officers.

1.12 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 2008, officers and companies controlled by officers were paid consulting fees totalling $238,244 (2007 - $89,860) of which $4,125 remained payable at December 31, 2008 (2007 - $ 16,352) and directors of the Company and a company controlled by a director of the Company were paid $ 68,768 (2007 - $ 60,000) for professional consulting services. Refer to Section 1.11 for payments to be made to directors and officers under certain circumstances.

1.13 CHANGES IN ACCOUNTING POLICY

On January 1, 2008 the Company adopted four new recommendations of the Canadian Institute of Chartered Accountants ("CICA"). Section 3862, ''Financial instruments – Disclosures'', and 3863 – ''Financial instruments Presentation'', Section 1535, ''Capital disclosures'', Section 1400, ''General standards of Financial Statements Presentation''.

Sections 3862, ''Financial instruments – Disclosures'', and 3863 – ''Financial instruments Presentation'' replace handbook Section 3861, "Financial instruments – Disclosure and Presentation", revising and enhancing its disclosure requirements, and carrying forward unchanged presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Under Section 1535, ''Capital disclosures'' establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital, the quantitative data what the entity regards as capital, whether the entity has complied with any capital requirements, and if it has not complied, the consequences of such non-compliance.

Under Section 1400, ''General standards of Financial Statements Presentation'' was amended to include requirements to assess and disclose an entity's ability to continue as a going concern.

1.14 INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In February 2008 the Canadian Accounting Standards Board (AcSB) confirmed that the use of IFRS would be required for Canadian publicly accountable enterprises for years beginning on or after January 1, 2011.

We have established a changeover plan to adopt IFRS by 2011. Management has started the process of assessing accounting policy choices and elections that are allowed under IFRS. We are also assessing the impact of the conversion on our business activities including the effect on information technology and data systems, internal controls over financial reporting and disclosure controls. We will continually review and adjust our changeover plan to ensure our implementation process properly addresses the key elements of the plan.

1.15 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.

1.16 RISKS INHERENT TO MINING EXPLORATION

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

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

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

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

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

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

1.17 OTHER

i. National Instrument 51-102 - Section 5.3

Below is the detailed analysis of exploration expenditures incurred in 2008 and 2007.

Cost and deferred exploration expenses	**2008**	**2007**
	$	**$**
Balance – Beginning of year	16,897,432	15,611,907
Acquisition, staking and permits	165,845	72,891
Write-down and write-off of mining assets	(1,900,130)	-
	(1,734,285)	72,891
Exploration expenses		
Drilling	2,051,619	820,802
Geophysics	391,078	73,494
Sampling	118,640	101,872
Consulting	451,672	35,310
Field preparation	5,859	29,939
Management	145,211	29,459
Line cutting and road	154,931	55,050
Camp expenses	105,914	56,108
Permits	-	10,600
Write-down and write-off of mining assets	(8,929,136)	-
	(5,504,212)	1,212,634
Balance – End of year	9,658,935	16,897,432

ii. National Instrument 51-102 - Section 5.4

Disclosure of Outstanding Share Data (as at March 16, 2009)

Common shares outstanding: 338,583,808

Warrants and compensation options outstanding: 124,399,439

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

Number of Warrants	Compensation options	Exercise Price $	Expiry Date
11,000,000	1,000,000	0.10	March 2009
5,172,250	500,000	0.10/0.05	April 2009
1,500,000	-	0.10	June 2009
1,106,000	-	0.10	July 2009
106,000	-	0.10	August 2009
6,706,000	-	0.10	September 2009
26,476,923	3,886,692	0.10/0.05	October 2009
9,375,000	-	0.12	October 2009
4,135,000	413,500	0.15	December 2009
7,062,325	1,412,465	0.18/0.185	December 2009
2,000,000	-	0.10	August 2010
18,475,000	1,847,500	0.05/0.10	December 2010
22,224,784	-	0.06/0.13	January 2014

Options outstanding: 23,868,880 - average exercise price of $0.11

Number of Options	Expiry Date
395,100	July 2009
530,500	April 2010
7,078,580	November 2010
300,000	April 2011
1,800,000	December 2011
2,690,000	June 2012
1,960,000	September 2012
500,000	October 2012
3,410,000	November 2012
2,000,000	December 2012
2,216,600	February 2013
588,100	May 2013
400,000	October 2013

ADDITIONAL INFORMATION

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