

# **KWG RESOURCES INC.**

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(An exploration stage company)

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

- QUARTERLY HIGHLIGHTS

FOR THE QUARTER ENDED JUNE 30, 2018

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## - QUARTERLY HIGHLIGHTS

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This management's discussion and analysis – quarterly highlights (the "MD&A") should be read in conjunction with the annual and the interim quarterly financial statements of KWG Resources Inc. ("KWG" or the "Company") all of which are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed through the internet at [www.sedar.com](http://www.sedar.com).

### **DATE**

This MD&A for the quarter ended June 30, 2018 is dated as of August 29, 2018.

### **COMPANY OVERVIEW**

KWG is an exploration stage company that is participating in the discovery, delineation and development of chromite deposits approximately 280km north of Nakina, in the James Bay Lowlands of Northern Ontario, including 1,024 hectares covered by four unpatented mining claims which contain the Black Horse chromite deposit (the "Koper Lake Project") and 1,241 hectares covered by seven unpatented mining claims which contain the Big Daddy chromite deposit (the "Big Daddy Project"). These deposits are globally significant sources of chromite which may be reduced into metalized iron and chrome or refined into ferrochrome, a principal ingredient in the manufacture of stainless steel. KWG has been active in exploring the James Bay Lowlands since 1993 and discovered diamond-bearing kimberlite pipes near Attawapiskat and five pipes near the Ring of Fire area in 1994. This led to the discovery of the McFaulds Lake copper-zinc volcanogenic sulphide deposits in 2002, which precipitated a staking rush that defined the "Ring of Fire".

The Company has the right to acquire: (i) up to an 80% interest in respect of chromite contained in the Koper Lake Project and (ii) up to a 20% interest in respect of the non-chromite minerals contained in the Koper Lake Project. In 2016, the Company became vested in a 50% joint venture interest in the Koper Lake Project which was renamed the Black Horse Joint Venture. The 50% joint venture interest includes 10% thereof that Bold Ventures Inc is the beneficial owner of. The Company also has a 30% joint venture interest in the Big Daddy Project.

Through Canada Chrome Corporation ("CCC"), a wholly owned subsidiary, the Company has also staked mining claims in Northern Ontario with a view to the development and construction of a proposed railway or slurry pipeline from Aroland near Nakina, Ontario to the Koper Lake Project and the Big Daddy Project, as well as exploring for, delineating and developing aggregate and other minerals.

The Company incurred approximately \$13 million of expenditures which have been passed through to subscribers of "flow-through shares" (within the meaning of such term under the *Income Tax Act* (Canada)) as eligible expenditures for their purposes under flow-through agreements for the calendar years 2010 through 2013. Canada Revenue Agency ("CRA") conducted an audit of these expenditures and proposed an adjustment to the amount of qualifying expenditures that were renounced to the subscribers aggregating approximately \$6,700,000 and assessed additional Part XII.6 tax of approximately \$1,103,180, including penalties and interest. The Company made a provision for the entire amount of the estimated Part XII.6 tax, penalties and interest and an amount of \$3,837,217 was set up for the estimated subscriber indemnification costs. The Company reviewed CRA's proposal and disagrees with certain positions taken by CRA. The Company filed formal objections to dispute the assessments. (See "Commitments and Contingencies" section of this MD&A).

As of the date of this MD&A, CRA has not, to the knowledge of the Company, issued reassessments to any subscribers. Certain statutory reassessment time limits have passed for a substantial portion of these disallowed expenditures. As a result, the provision for the estimated subscriber indemnification costs has been reduced to \$1,294,270.

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### HIGHLIGHTS

During and subsequent to the quarter ended June 30, 2018:

- On April 5, 2018 the Company announced that it obtained approval from the Canadian Securities Exchange ("CSE") to increase the previously announced private placement to a maximum of \$3,000,000 of debentures convertible at the option of KWG into units with a deemed value of \$21 per unit (each a "Unit"). KWG previously received approval from the CSE for the issuance of up to \$2,600,000 of convertible debentures of which an aggregate of \$2,576,908.25 of debentures were issued on December 15, 2017. KWG also announced the extension of the expiry date of the debenture acquisition options granted on December 15, 2017, at the time of closing of its previous tranche of the private placement, from April 15, 2018 to June 29, 2018.
- On June 29, 2018 the Company announced it had advised the Canadian Securities Exchange that it will extend to September 28, 2018 the time within which options to acquire additional Convertible Debentures of the Corporation may be exercised.
- On July 18, 2018 the Company announced that while KWG had previously stated that it proposed to create a blockchain-contract offering of a crypto currency, to be called the 'Ferro', backed by the Ring of Fire's chromite discoveries, the cost and complexity of access to this capital markets innovation in that manner had proved to be daunting. Accordingly, KWG decided not to proceed with the creation of its originally contemplated crypto-currency but had instead recently focused on first creating and distributing a chrome delivery warrant, the terms and details of which are not yet determined. KWG had received preliminary confirmation from the Canadian Securities Exchange that it should be able to list the proposed warrants for trading on the Canadian Securities Exchange. KWG was considering the requirements for distribution of such a warrant issue, possibly as a return of capital dividend to its shareholders, in order to ensure compliance with applicable securities laws. The Company also continued to research the utility of the blockchain-contract provenance and safety attributes, for possible future use in the trading of such listed delivery warrants and options, as an analogue to the London Metal Exchange inventory tracking systems.
- Also, the previously-announced flow-through limited partnership continued, through its founding General Partner, to negotiate terms with potential investors and their advisors. Under such terms, it is proposed that KWG's wholly owned subsidiary, Canada Chrome Mining Corporation, will incur, for a series of limited partnerships, \$100 million of partnership expenses to complete all the required exploration drilling, geological data acquisition and mine and process plan engineering for the production of a comprehensive bankable feasibility study of the Black Horse project in the Ring of Fire area of the James Bay Lowlands of Ontario, Canada, with which to enable China Railway FSDI to progress financing discussions.

It was estimated that approximately 70% of the total expenditures would constitute qualifying Canadian Exploration Expenses (as defined in the Income Tax Act (Canada)) ("CEE") to be renounced to the partnerships by Canada Chrome Mining Corporation, KWG's wholly-owned subsidiary which holds its Ring of Fire mineral interests, and such qualifying expenditures may thereupon be properly applied as claim assessment work. Investors acquiring limited partnership units will share partnership business expenses of the estimated 30% of sums subscribed dedicated to the costs of the partnerships' business which are other than renounceable CEE.

Following full funding, the partnerships would be vested with a 50% economic interest in the mineral deposits studied and it is proposed that those interests be donated to a Trust for the neighbouring First Nations under the terms of a comprehensive settlement agreement that

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consensuses with the Framework Agreement and memoranda of understanding that they have completed to date.

The General Partner had discussed with two Trust Company candidates the possible administration of the Trust assets on behalf of a Board of Trustees to be constituted by those First Nations in accordance with their prior agreements and memoranda plus the trust settlement terms. Under the proposed arrangement, the Board of Trustees would nominate half of the Directors of the Ring of Fire GP Inc which would manage the mining assets of the limited partnerships' joint venture with KWG. The intention is for the joint venture to mine the chromite for sale for further processing, at a fixed price of cost-plus-10%. It is anticipated that the work of the partnerships for completion of the bankable feasibility study would continue through the end of 2022. The Trustee would be obliged upon the future completion of mining activities attending the site's reclamation, to deliver the properties to the Government of Canada under its Ecological Gifts program to discharge the settlement.

### OUTLOOK

Continuing and recent developments surrounding the north-south transportation corridor continue the conviction of KWG's management that the Company's assets will prove to be catalytic in the development of mining in the Ring of Fire. These developments, combined with previously published resource estimates, confirm management's opinion that the chromite deposits of the Ring of Fire may have a very long combined production life. This will enable the depreciation and amortization of the cost of an infrastructure asset such as a railroad over a very long time. When that term is combined with the present historic low cost of the capital required to construct such an undertaking, the unit cost for projected usage can be quite modest when compared to all available alternatives. The test work done to date on the conversion of the Black Horse chromite into a metalized chrome and iron alloy using natural gas, continues to encourage KWG's management that an opportunity to create a substantial and globally significant export industry in this key industrial commodity appears achievable. KWG is very pleased to see the area's affected First Nations becoming increasingly proactive about participating in leading the development of these resources. KWG's management is also very encouraged that the support for the development previously pledged by the governments of Ontario and Canada is now being acted on by the Province of Ontario to initially underwrite the planning cost of community access roads.

With the allowance or acceptance of the Company's patent applications (including Canada, South Africa and Kazakhstan to date), the Company expects that its process for the production of chromium iron alloys directly from chromite ore will soon be available for licensing.

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### Selected Consolidated Financial Information

<b>As at and for the years ended December 31</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Summary Operating Results Data</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
General and administrative expenses	2,452,308	1,694,152	2,088,141
Share-based compensation	353,875	169,825	316,210
Loss from operations	(2,871,367)	(1,907,688)	(2,546,562)
Net loss for the year	(221,443)	(1,946,240)	(7,429,365)
Loss per share	(0.00)	(0.00)	(0.01)
<b>Summary Balance Sheet Data</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	1,214,400	33,935	37,247
Receivables	321,652	210,451	139,812
Marketable securities	66,365	133,827	75,568
Total current assets	1,602,417	390,223	268,961
Exploration and evaluation projects	40,151,023	41,791,073	39,281,279
Total assets	46,138,755	46,549,181	43,786,362
Trade and other payables	2,932,951	8,064,828	5,868,038
Long-term liabilities	766,217	211,834	-
Total equity	42,439,587	38,200,611	37,918,324

### **OVERALL PERFORMANCE – FINANCIAL**

During the second quarter of 2018, the Company utilized the proceeds of private placements and debenture issuances to cover administrative and general expenses as the Company does not currently have any significant revenue sources. KWG's exploration activities were funded from the proceeds of the private placements and debenture issuances. These private placements and debenture issuances were also utilized to reduce the Company's liabilities and also to compensate its directors, officers, employees and consultants. The Company's other cash inflows consisted of royalty payments of \$781 and the sale of a redundant royalty in the amount of \$100,000. Regular operating expenditures were approximately \$176,000 higher than the previous year as the Company utilized its cash inflows to fund expenditures that had been neglected due to insufficient resources.

The Company has maintained its focus on its strategic plan to develop what it expects will become a major North American ferro-chrome source of supply to the globe's stainless-steel makers, as well to explore and build a route to transport materials to and product from the mine site. Exploration activities on the Black Horse Project and the Big Daddy Project have not been progressed in the last few years, however, due to negative market sentiment.

KWG's railway infrastructure project has been well-timed and the need for a railway or slurry pipeline in the Ring of Fire is increasingly appreciated to be potentially very 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 or slurry pipeline to the Ring of Fire.

The reporting currency of the Company is Canadian dollars and the financial data is reported in this currency.

### **LIQUIDITY & CAPITAL RESOURCES**

The main source of financing for KWG is the issuance of equity shares and convertible debentures 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

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stage of development, since they are all exploration projects and their development depends on the results of exploration.

On June 30, 2018, the Company had a working capital deficiency of \$2,440,386 (\$1,330,534 as at December 31, 2017). It had \$252,495 in cash and cash equivalents (\$1,214,400 as at December 31, 2017). The increase in the working capital deficit is primarily attributable to the Company's operating expenditures for the period. The current working capital deficit is, in large part, still attributable to provisions resulting from a CRA audit. The Company has incurred approximately \$13 million of expenditures which were passed through to subscribers of "flow-through shares" as eligible expenditures for their purposes under flow-through agreements for the calendar years 2010 through 2013. The CRA recently conducted an audit of these expenditures and proposed an adjustment to the amount of qualifying expenditures that were renounced to the subscribers, such adjustment aggregating approximately \$6,700,000, and assessed additional Part XII.6 tax of approximately \$1,103,180, including penalties and interest. The Company made a provision for the entire amount of the estimated Part XII.6 tax, penalties and interest and an amount of \$3,837,217 was set up for the estimated subscriber indemnification costs. The Company has reviewed CRA's assessments and disagrees with certain positions taken by CRA. The Company has filed formal objections to dispute these assessments. (See "Commitments and Contingencies" section of this MD&A). As of the date of this MD&A, CRA has not, to the knowledge of the Company, issued reassessments to any subscribers. Certain statutory reassessment time limits have, in the Company's opinion, passed for a substantial portion of these disallowed expenditures. As a result, the provision for the estimated subscriber indemnification costs was reduced to \$1,294,270 in 2017.

The Company forecasts operating expenditures of approximately \$1,600,000 for 2018. Due to funds raised through private placements in the first and second quarters of 2017 as well as the debentures issued in October and December 2017, the Company has sufficient working capital to finance its corporate and administrative activities for most of 2018. The Company expects to raise additional funds through further equity or debt financings or the sale of non-core assets throughout 2018 to cover longer term costs and exploration activities.

There is no assurance that the Company will be successful in obtaining further financing. Should the Company not be able to obtain the necessary financing, there would be significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

The Company invests its unexpended cash in highly-liquid, rated financial instruments.

### **RESULTS FROM OPERATIONS**

During the three months ended June 30, 2018, the Company recorded a loss of \$622,384 (\$0.00 per share) for a cumulative loss of \$1,301,659 (\$0.00 per share) for the six months ended June 30, 2018 (loss of \$348,638 (\$0.00 per share) and cumulative loss of \$791,563 for the comparable periods in 2017). The period results are explained as follows:

#### **Income**

Other income totaled \$100,781 (cumulative of \$101,562) in the second quarter 2018 compared to \$781 in the same period of 2017 (cumulative of \$1,562). The increase resulted from the sale of a redundant royalty.

#### *Administrative Expenses*

Administrative expenses for the three months ended June 30, 2018 amounted to \$638,630 (cumulative of \$1,234,090 for 2018) compared to \$327,074 for the same period in 2017 (cumulative of \$841,247

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for 2017) for a net increase of approximately \$312,000 (cumulative increase of \$393,000). The following discusses variances in the main components of the administrative expenses:

- Increased salaries and benefits of \$122,000 (cumulative increase of \$160,000) compared to the same period in 2017. Increased directors' fees of \$20,000 (cumulative increase of \$32,000) compared to the same period in 2017;
- Professional and consultants' fees decreased by \$24,000 (cumulative decrease of \$101,000) compared to the same period in 2017. The 2017 year-to-date amounts included significant amounts of such fees that were satisfied by non-cash payments to consultants through a private placement;
- Debenture interest increased by \$132,000 (cumulative increase of \$264,000) compared to the same period in 2017. This is a non-cash expenses as it will be satisfied through the issuance of Multiple voting shares; and
- Corporate expenses increased by \$62,000 in the second quarter of 2018 (cumulative increase of \$38,000) compared to 2017 which included an increase in filing fees and investor relations fees of \$6,000 (cumulative increase of \$3,000), increased overheads of \$56,000 (cumulative increase of \$97,000) and decreased travel and promotional costs of \$nil (cumulative decrease of \$62,000).

### *Stock-based Compensation Costs*

Stock compensation costs constitute a non-cash expense. Stock compensation costs for the second quarter of 2018 totaled \$nil (\$nil cumulative to June 30, 2018) compared with \$nil for the same quarter in 2017 (\$16,875 cumulative to June 30, 2017). The expense was higher in 2017 due to stock options issued in December 2015. The Company did not issue any stock options in the first and second quarters of both 2018 and 2017. The calculated cost of these stock options is recognized as an expense over the vesting period. 11,186,000 options expired in the second quarter of 2018 (12,750,000 options expired in the first quarter of 2017).

## **SUMMARY OF QUARTERLY RESULTS**

*(Thousands of dollars except amount per subordinate voting share)*

Quarter ending	Total revenue	Net income (loss)	Loss per share (basic and diluted)
June 30, 2018	-	(622)	<(0.01)
March 31, 2018	-	(679)	<(0.01)
December 31, 2017	-	(1,120)	<(0.01)
September 30, 2017	-	1,691	< 0.01
June 30, 2017	-	(349)	<(0.01)
March 31, 2017	-	(443)	<(0.01)
December 31, 2016	-	(846)	<(0.01)
September 30, 2016	-	(257)	<(0.01)

The loss in the fourth quarter of 2017 is mainly due to stock compensation expense. The profit in the third quarter of 2017 was due to the reduction in the provision for subscriber indemnification costs. The above losses are attributable mainly to adjustments resulting from the period-end revaluation of the warrant investments, ongoing general and administrative expenses and stock compensation costs.

## **COMMITMENTS AND CONTINGENCIES**

- (i) The Company has incurred approximately \$13 million of expenditures which have been passed through to subscribers of "flow-through shares" as eligible expenditures for their purposes under

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flow-through agreements. As noted in Note 3 to the annual consolidated financial statements, there is a risk that some or all of these claims may be disallowed. To the extent that the costs are disallowed as deductions to such subscribers, additional tax attributes would be created for the Company which would be considered for recognition at that time. Additional costs may be incurred. The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder as a result of the Company not meeting its exploration expenditure commitments.

Canada Revenue Agency ("CRA") recently conducted an audit of the Company's flow-through expenditures for the calendar years 2010 through 2013. As a result of the audit, CRA adjusted the amount of qualifying expenditures that were renounced to the subscribers of "flow-through shares", such reduction aggregating approximately \$6,700,000. In addition, CRA assessed additional Part XII.6 tax of approximately \$1,103,180, including penalties and interest. The Company made a provision for the entire amount of the estimated Part XII.6 tax, penalties and interest. Additionally, a provision in the amount of \$3,837,217 was set up for the estimated subscriber indemnification costs based on the highest personal income tax rates in the Province of Ontario at the time these expenditures were renounced to the subscribers plus the Federal and Ontario investment tax credits available at the time. The Company has reviewed CRA's assessments and disagrees with certain positions taken by CRA. The Company has filed formal objections to dispute these assessments.

As of the date of this MD&A, CRA has not, to the knowledge of the Company, issued reassessments to any subscribers. Certain statutory reassessment time limits have, in the Company's opinion, passed for a substantial portion of these disallowed expenditures. As a result, the provision for the estimated subscriber indemnification costs has been reduced to \$1,294,270.

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

- ii) The Company has signed an operating lease for its premises located at 141 Adelaide St. W., Suite 420, Toronto, On, M5H 3L5. The lease is a net lease with a term of two years commencing on August 1, 2017. Monthly minimum rental payments are \$6,536 for the term of the lease. The Company is also responsible for its proportionate share of the operating costs in relation to this space.
- iii) Under the terms of an employment agreement with the Company's CEO dated October 8, 2008, in the event of a change in control of the Company and the CEO's employment is involuntarily terminated within three years following the change in control, the Company shall pay the CEO an amount equal to three times his then-current base salary and three times his annual bonus most recently paid or accrued along with any unpaid salary and vacation pay. The contract requires payments totaling \$1,140,000 for the change of control and \$570,000 for the termination clause. As the triggering events have not taken place, the contingent payments have not been reflected in the consolidated financial statements.
- iv) The Company's exploration and evaluation activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more onerous. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

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### **RELATED PARTY TRANSACTIONS**

The Company defines its officers (CEO, CFO and corporate secretary) and directors as Key Management Personnel ("KMP"). During the first two quarters of 2018, officers and companies controlled by officers charged consulting fees for cash consideration of \$172,164 (\$176,242 in 2017) and salaries in the amount of \$150,000 (\$71,600 in 2017) of which \$288,714 remained payable at June 30, 2018 (\$112,521 at December 31, 2017). The consulting fees were for services performed by the corporate secretary and the CFO as well as for general accounting services. Directors' fees charged in the first two quarters of 2018 totalled \$44,000 (\$25,611 in 2017) of which \$44,000 remained payable at June 30, 2018 (\$nil at December 31, 2017). KMP received no stock options in the first two quarters of 2018 (none in 2017). In the first two quarters of 2018, stock compensation expenses totalled \$nil for KMP (\$13,125 in 2017).

### **CHANGES IN ACCOUNTING POLICIES**

The consolidated financial statements for the years ended December 31, 2017 and 2016 have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB").

See Note 3 to the 2017 audited annual consolidated financial statements for further information on accounting policies adopted by the Company during the year.

### **RECENT ACCOUNTING PRONOUNCEMENTS**

See Note 3 to the 2017 audited annual consolidated financial statements for further information on recent accounting pronouncements that may have a future impact on the Company.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

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

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

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

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

#### **Capitalization of exploration and evaluation costs**

Management has determined that exploration and evaluation costs incurred during the year have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probably mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. See Note 11 to the 2017 annual consolidated financial statements for details of capitalized exploration and evaluation costs.

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### **Impairment of exploration and evaluation projects**

While assessing whether any indications of impairment exist for exploration and evaluation projects, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation projects. Internal sources of information include the manner in which exploration and evaluation projects are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's exploration and evaluation projects, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation projects.

### **Income taxes and recoverability of potential deferred tax assets**

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

### **Share-based payments**

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

### **Income, value added, withholding and other taxes**

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences

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will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

### **Convertible debentures**

The classification of the Company's convertible debentures required management to analyze the terms and conditions of debentures and use judgment to assess whether these debentures are liability, equity, or a combination of the two. IAS 32 provides the criteria for management to assess these complicated financial instruments to determine their appropriate classification(s). Factors considered are, but not limited to, whether the Company has a future obligation to settle the instrument in cash or exchange other assets or liabilities, and if the settlement is already known to be equity, the amount will not vary based on the Company's future share price.

### **FINANCIAL INSTRUMENTS**

The following presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative and qualitative disclosures are included throughout the 2017 audited consolidated financial statements which are available on [www.SEDAR.com](http://www.SEDAR.com).

### **Risk Management Framework**

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

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

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

### **Credit Risk**

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

### **Cash and Cash Equivalents**

The Company's cash and cash equivalents are held through large Canadian financial institutions. The Company has a corporate policy of investing its available cash in Canadian government instruments and certificates of deposit or other direct obligations of major Canadian banks, unless otherwise specifically approved by the Board. As at March 31, 2018 and December 31, 2017, the Company did not have any cash equivalents.

### **Receivables**

The Company's receivables consist primarily of trade receivables and amounts due from related and unrelated parties, as well as recovery of net GST/HST paid.

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

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

### Marketable Securities

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

### Guarantees

The Company's policy is to provide financial guarantees only to wholly-owned subsidiaries or under business arrangements where the benefit of the guarantee will accrue to the Company. At both June 30, 2018 and December 31, 2017, the Company had \$nil in guarantees outstanding.

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

	June 30, 2018	December 31, 2017
Carrying amount	\$	\$
Cash and cash equivalents	252,495	1,214,400
Receivables	471,662	321,652
Financial assets classified as Available For Sale	58,362	66,365
	782,519	1,602,417

### Liquidity Risk

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

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

The Company manages its liquidity risk through the mechanisms described above and as described in Note 28 of the 2017 annual consolidated financial statements. The Company has historically relied on issuances of shares and debt instruments to develop projects and to finance day-to-day operations and may do so again in the future.

The Company's significant long-term liability is its convertible debenture payables which have a fixed interest rate. All other contractually obligated cash flows are payable within the next fiscal year.

### Market Risk

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

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## - QUARTERLY HIGHLIGHTS

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### **Foreign Currency Risk**

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

### **Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest-bearing debt, comprised of convertible debenture payable and debenture payable is at a fixed rate of interest. Consequently, the Company is not exposed to any significant interest rate risk which could be caused by a sudden change in market interest rates.

### **Other Market Price Risk**

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

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

### **Other Business Risks**

KWG is in the exploration stage and is subject to the risks and challenges similar to other companies in a comparable stage. Other than the risks relating to reliance on financing previously discussed, as well as those discussed elsewhere in this MD&A, KWG's risks include, but are not limited to, limited operating history, speculative nature of mineral exploration and development activities, operating hazards and risks, mining risks and insurance, lack of mineral reserves, environmental and other regulatory requirements, competition, stage of development, fluctuations in commodity prices, conflicts of interest, reliance on key individuals and no key man insurance other than certain life insurance policies on the Company's CEO).

*Limited Operating History* - An investment in KWG should be considered highly speculative due to the nature of KWG's business. KWG has no history of earnings, it has not paid any dividends and it is unlikely to enjoy earnings or be paying dividends in the immediate or foreseeable future.

*Speculative Nature of Mineral Exploration and Development Activities* - Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by KWG may be affected by numerous factors which are beyond the control of KWG and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## - QUARTERLY HIGHLIGHTS

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protection, the combination of which factors may result in KWG not receiving an adequate return of investment capital.

Substantial expenditures are required to establish mineral reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities and grades to justify commercial operations or that the funds required for development can be obtained on a timely basis. Estimates of mineral reserves, mineral deposits and production costs can also be affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of ore ultimately mined may differ from that indicated by drilling results. Short-term factors relating to reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on mining operations and on the results of operations. Material changes in mineral reserves, grades, stripping ratios or recovery rates may affect the economic viability of any project.

KWG's mineral properties are in the exploration stage only and are without known bodies of mineral reserves. The exploration programs proposed by KWG are exploratory searches for commercial ore bodies only. Development of any of KWG's mineral properties will only follow upon obtaining satisfactory exploration results.

Some exploration properties are held under option agreements requiring capital payments, exploration expenditure and other commitments to earn an interest in the property, failing which no interest may be earned and the property may be lost. There is no assurance that the Company will be able to fulfill such obligations to earn any interest in such properties held under option.

Few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish mineral reserves, develop metallurgical processes and construct mining and processing facilities at a particular site. There is no assurance that KWG's mineral exploration activities will result in any discoveries of commercial bodies of ore. Also, no assurance can be given that any or all of KWG's properties will not be subject to prior unregistered agreements or interests or undetected claims which could be materially adverse to KWG.

*Lack of Mineral Reserves* - All of the KWG properties are considered to be in the exploration stage only and do not contain a known body of commercial ore. Mineral reserves are estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Reserve estimates for properties that have not yet commenced production may require revision based on actual production experience. Market price fluctuations of metals, as well as increased production costs or reduced recovery rates, may render mineral reserves containing relatively lower grades of mineralization uneconomic and may ultimately result in a restatement of reserves. Moreover, short-term operating factors relating to the mineral reserves, such as the need for orderly development of the ore bodies and the processing of new or different ore grades, may cause a mining operation to be unprofitable in any particular accounting period. While KWG does have estimated mineral resources, such estimated resources are not mineral reserves and do not have demonstrated economic viability.

*IP Rights* – KWG has acquired the rights to certain intellectual property patent applications. Although the Company is confident that the applications will be successful and the patents will be issued, there is no assurance of such success or issuance. Moreover, there is no assurance that such rights will not later be attacked or be circumvented. The prosecution and maintenance of such applications and

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## - QUARTERLY HIGHLIGHTS

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patents is expensive and there is no assurance that the Company will be able to secure, exploit, maintain or defend its intellectual property rights.

*Conflicts of Interest* - Certain of the directors and officers of KWG are engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies and, as a result of these and other activities, such directors and officers of KWG may become subject to conflicts of interest. Canadian corporate laws provide that in the event that a director or officer has an interest in a contract or proposed contract or agreement, the director or officer shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under those laws. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the applicable Canadian corporate laws.

*Operating Hazards and Risks* - Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. KWG's operations will be subject to all the hazards and risks normally incidental to exploration, development and production of metals, such as unusual or unexpected formations, cave-ins or pollution, all of which could result in work stoppages, damage to property and possible environmental damage.

*Mining Risks and Insurance* - The business of mining for gold, chromite and other metals is generally subject to a number of risks and hazards including environmental hazards, industrial accidents, labour disputes, unusual or unexpected geological conditions, pressures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, blizzards and earthquakes. No assurance can be given that such risks and hazards can be covered by insurance or, if currently available, such insurance will continue to be available or that it will be available at economically feasible premiums. Mining operations will be subject to risks normally encountered in the mining business.

*Environmental and Other Regulatory Requirements* - KWG's activities are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving which means stricter standards and enforcement, fines and penalties for non-compliance may become more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

The exploration operations of KWG and development and commencement of production on its properties require permits from various federal and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. In addition, the government tax authorities may audit the Company's various tax filings and assess additional taxes not forecast by the Company.

Companies engaged in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. KWG believes it is in substantial compliance with all material laws and regulations, which currently apply to its activities. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## - QUARTERLY HIGHLIGHTS

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thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

*Competition* - Significant and increasing competition exists for the limited number of mineral acquisition opportunities available. As a result of this competition, some of which is with large established mining companies with substantial capabilities and greater financial and technical resources than KWG, KWG may be unable to acquire additional attractive mineral properties on terms it considers acceptable. Accordingly, there can be no assurance that KWG's exploration and acquisition programs will yield any reserves or result in any commercial mining operation.

*Stage of Development* - KWG is in the business of exploring for, with the ultimate goal of producing, precious and base metals from its mineral exploration properties. None of the KWG properties has commenced commercial production and KWG has no history of earnings or cash flow from its operations. As a result of the foregoing, there can be no assurance that KWG will be able to develop any of its properties profitably or that its activities will generate positive cash flow.

KWG has not paid any dividends and it is unlikely to enjoy earnings or pay dividends in the immediate or foreseeable future. KWG has not sufficiently diversified such that it can mitigate the risks associated with its planned activities. KWG has limited cash and other assets.

A prospective investor in KWG must be prepared to rely solely upon the ability, expertise, judgment, discretion, integrity and good faith of KWG's management in all aspects of the development and implementation of KWG's business activities.

*Fluctuations in Commodity Prices* - The profitability, if any, in any mining operation in which KWG has an interest is significantly affected by changes in the market price of precious and base metals which fluctuate on a daily basis and are affected by numerous factors beyond KWG's control.

*Reliance on Key Individuals* - KWG's success depends to a certain degree upon certain key members of management. These individuals are a significant factor in KWG's growth and success. The loss of the service of certain members of management and certain key employees could have a material adverse effect on KWG.

*No Key Man Insurance* - KWG does not have and does not anticipate having key man insurance in place in respect of any of its senior officers or personnel, except for its CEO.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## - QUARTERLY HIGHLIGHTS

### OTHER

#### **National Instrument 51-102 - Section 5.3**

Below is a detailed analysis of exploration expenditures incurred for the six months ended June 30, 2018 with comparative figures for the year ended December 31, 2017 on a property by property basis:

#### Railway Corridor

<b>Cost and deferred exploration expenses</b>	<b>Six months ended June 30, 2018</b>	<b>Year ended December 31, 2017</b>
	\$	\$
Balance – Beginning of the period	16,361,644	16,359,544
Exploration expenses		
Field consultants	2,215	2,100
Balance – End of the period	16,363,859	16,361,644

#### Black Horse Project

<b>Cost and deferred exploration expenses</b>	<b>Six months ended June 30, 2018</b>	<b>Year ended December 31, 2017</b>
	\$	\$
Balance – Beginning of the period	8,454,043	10,096,193
Exploration expenses		
Engineering	93,424	(1,642,150)
Balance – End of the period	8,547,467	8,454,043

#### Chromium IP J.V.

<b>Cost and deferred exploration expenses</b>	<b>Six months ended June 30, 2018</b>	<b>Year ended December 31, 2017</b>
	\$	\$
Balance – Beginning of the period	4,307,514	4,285,829
Exploration expenses		
Legal fees	10,745	26,661
Testing costs	8,413	(4,976)
	19,158	21,685
Balance – End of the period	4,326,672	4,307,514

#### All Projects Combined

<b>Cost and deferred exploration expenses</b>	<b>Six months ended June 30, 2018</b>	<b>Year ended December 31, 2017</b>
	\$	\$
Balance – Beginning of the period	44,458,537	46,076,902
Exploration expenses		
Engineering	93,424	(1,642,150)
Field consultants	2,215	2,100
Legal fees	10,745	26,661
Testing costs	8,413	(4,976)
	114,797	(1,618,365)
Balance – End of the period	44,573,334	44,458,537

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## - QUARTERLY HIGHLIGHTS

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The following is a detailed break-down of administrative expenses incurred for the six months ended June 30, 2018 with comparative figures for the same period in 2017.

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Advertising & promotion	13,609	59,731
Consultants' fees	98,950	218,000
Debenture interest	270,901	6,641
Directors' fees & insurance	50,304	18,715
Filing fees	9,758	15,238
Investor relations fees	33,624	24,767
Professional fees	129,832	111,576
Office overheads	273,111	175,619
Salaries and benefits	288,641	128,512
Travel & accommodation	65,360	82,448
	<hr/>	<hr/>
Total administrative expenses	1,234,090	841,247

### **National Instrument 51-102 - Section 5.4**

Disclosure of Outstanding Share Data (as at August 29, 2018)

**Subordinate Voting Shares outstanding:** 1,017,658,227

**Multiple Voting Shares outstanding:** 197,558

Three hundred Subordinate Voting Shares are convertible at the option of each individual shareholder at any time into one Multiple Voting Share. Similarly, each one Multiple Voting Share is convertible at the option of each individual shareholder at any time into three hundred Subordinate Voting Shares. At all meetings of shareholders, shareholders are entitled to cast one vote for each one Subordinate Voting Share and to cast three hundred votes for each one Multiple Voting Share. Dividend and liquidation rights for each Multiple Voting Share are correspondingly three hundred times the dividend and liquidation rights for each Subordinate Voting Share.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## - QUARTERLY HIGHLIGHTS

**Subordinate Voting Share Warrants and compensation options outstanding:** 207,589,449

**Multiple Voting Share Warrants outstanding:** 107,672

Each Subordinate Voting Share warrant and each compensation option entitles the holder to purchase one Subordinate Voting Share of the Company and each Multiple Share Voting warrant entitles the holder to purchase one Multiple Voting Share at the following prices:

<b>Number of Subordinate Voting Share warrants</b>	<b>Number of Multiple Voting Share warrants</b>	<b>Number of compensation options</b>	<b>Exercise price \$</b>	<b>Expiry date</b>
25,000,000	-	-	0.10	May 2019
-	9,524	-	7.50	October 2019
-	98,148	-	7.50	December 2019
25,000,000	-	-	0.10	June 2020
84,895,563	-	2,604,500	0.05	April 2021
55,995,720	-	-	0.05	March 2022
11,225,238	-	-	0.05	June 2022
2,868,428	-	-	0.05	July 2022

**Options outstanding:** 91,814,000 - average exercise price of \$0.054

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

<b>Number of options</b>	<b>Exercise price \$</b>	<b>Expiry date</b>
7,900,000	0.10	April 2019
37,714,000	0.05	August 2020
12,500,000	0.05	December 2020
33,700,000	0.05	September 2022

**Convertible debentures outstanding:** There are currently two forms of convertible debentures outstanding.

The first form is a single unsecured convertible debenture which was issued in the principal amount of \$500,000 on October 3, 2017, bears interest at 12% compounded annually and is due on October 3, 2019. Interest is payable in Multiple Voting Shares issued at their volume-weighted average trading price on the ten trading days prior to payment. The principal may be converted by the holder at any time, in whole or in part, into units at a rate of \$21 per unit, with each unit being comprised of four Multiple Voting Shares and two warrants, with each such warrant enabling its holder to acquire one further Multiple Voting Share from treasury upon payment of \$7.50 at any time within two years from the date of issuance of the first debenture of this series of debentures.

The second is a form of unsecured convertible debenture which was issued to numerous investors in the aggregate principal amount of \$2,528,908 and \$559,908, bears interest at 12% compounded annually and is due on December 15, 2019. Interest is payable in Multiple Voting Shares issued at their volume-weighted average trading price on the ten trading days prior to payment. The principal may be converted by the Company at any time, in whole or in part, into units at a rate of \$21 per unit, with each unit being comprised of four Multiple Voting Shares and four warrants, with each such warrant enabling its holder to acquire one further Multiple Voting Share from treasury upon payment of \$7.50 at any time within two years from the date of issuance of the first debenture of this series of debentures.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## - QUARTERLY HIGHLIGHTS

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### FORWARD LOOKING INFORMATION

This MD&A contains or refers to forward-looking information. All information, other than information regarding historical facts 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 Company's projects; the proposed construction of a rail line or pipeline; the continued maintenance, exploration and development of the Company's properties and the costs related thereto, as well as the Company's expectation of periodically requiring additional funds therefor; exploration, development and operational plans, objectives and budgets; the expected strategic importance and value of the Company's mineral property interests inside and outside of its projects, including expectations regarding the exercise of the Company's option on the Koper Lake Project and the Company's participation in the development of the Koper Lake Project and the McFaulds Lake properties; expectations regarding the consultation, assessment and construction of a railroad and/or pipeline, including the costs and timing associated therewith; the expected acceptance of the Company's patent applications for chromium processing technologies and the issuance and exploitation of patents therefor; mineral resource estimates; potential mineral resources; 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; potential reassessments by the Canada Revenue Agency and associated shareholder indemnification liabilities; 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: the inability of the Company to obtain required financing; 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 financing, equipment, labour or supplies, weather and climatic conditions, labour disputes 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; the Company's inability to obtain, defend and exploit the patents for its chromium processing technologies; the Company's ability to defend its renunciations of exploration expenditures to subscribers of flow-through shares; capital and operating costs varying significantly from estimates; the Company's inability to participate in, exercise options on and/or develop the Company's property interests; inflation; changes in exchange and interest rates; adverse changes in commodity prices; the Company's inability to declare and/or pay a dividend on its common shares, 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 the Financial Instruments section of 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.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## - QUARTERLY HIGHLIGHTS

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### ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR ([WWW.SEDAR.COM](http://WWW.SEDAR.COM)).