

KWG RESOURCES INC.

(An exploration stage company)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED SEPTEMBER 30, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis 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 management's discussion and analysis (the "MD&A") for the period ended September 30, 2008 is as of November 27, 2008.

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 the December 31, 2007 annual 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 diamond group and the nickel and base metal group. In October 2007, KWG incorporated Debuts Diamonds Inc. ("Debuts Diamonds"), as a wholly owned subsidiary to hold KWG's various diamond exploration undertakings. KWG will continue to hold directly the other Ontario mineral properties including the chromite, nickel & base metal claims and interests in the McFaulds Lake area.

KWG has no income from production since all its properties are at the exploration stage.

1.4 RECENT DEVELOPMENTS AND OUTLOOK

Despite the recent market turmoil, KWG continues to make progress on the MacFadyen Kimberlites and the Freewest Option chrome property in northern Ontario. Significant recent developments since the last MD&A dated August 29, 2008 are discussed below under the following heading:

- (a) Drill results from Chromite discovery on Freewest Option**
- (b) Diamond recovery increases Good Friday grade**
- (c) Additional claims added to East-West option**
- (d) World-wide market liquidity crisis**

(a) Drill results from Chromite discovery on Freewest Option: KWG, Spider Resources Inc. "Spider", and Freewest Resources Canada Inc. "Freewest" announce the completion of a very successful drilling program prior to the fall "freeze-up" period in Northern Ontario.

Since 2005 the KWG-Spider Joint Venture has spent the minimum \$3.0 million on the Freewest Option and has earned a 50% interest in the optioned claims. The current ownership on the subject claims is now 25% KWG, 25% Spider and 50% Freewest.

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Since June, the main exploration focus of the KWG-Spider Joint Venture has been on the massive Chromite occurrence that was first discovered on the Freewest Option property in March of 2006. As a result of the recent drilling completed, 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 One and Two (Chromite) discoveries, and four (4) kilometers southwest of Freewest's Black Thor Chromite discovery.

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.

Analytical results have recently been received for three holes drilled earlier this past summer: FW-08-12, FW-08-13 and FW-08-14. Each of these holes intersected massive chromite mineralization as previously announced (August 19, 2008). The following table (Table 1) provides drill collar co-ordinates for these three holes, as well as other holes previously drilled (and reported) on the Big Daddy Chrome occurrence. Table 2 provides additional details of assays received from the first three holes of last summer's exploration program.

Table 1

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	150°	-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+00N	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

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Table 2

Hole ID	From (m)	To (m)	Int (m)	Ni %	Pt g/t	Pd g/t	Au g/t	TPM g/t	Cr ₂ O ₃ %	Cr %	Fe %	Cr:Fe
FWR-08-12	130.5	139.5	9.0	0.05	0.55	0.51	0.07	1.13	NA	NA	NA	NA
followed by	208.7	213.0	4.3	0.18	0.15	0.08	0.01	0.24	9.3	6.4	9.9	0.7
Then	213.0	228.3	15.3	0.25	0.15	0.05	0.01	0.21	0.8	0.6	2.2	0.3
Then	228.3	244.8	16.5	0.17	0.41	0.18	0.01	0.60	39.7	27.2	16.0	1.7
Then	244.8	251.0	6.2	0.22	0.23	0.05	0.01	0.29	NA	NA	NA	NA
Then	251.0	264.3	13.3	0.10	0.29	0.23	0.01	0.53	36.4	24.9	14.2	1.8
FWR-08-13	55.3	74.3	18.8	0.25	0.04	0.12	0.00	0.16	NA	NA	NA	
followed by	74.3	142.2	67.9	0.13	0.19	0.20	0.01	0.40	25.1	17.2	15.2	1.1
Including	90.0	102.0	12.0	0.12	0.23	0.17	0.00	0.40	29.1	19.9	15.5	1.3
FWR-08-14	30.0	103.5	73.5	0.11	0.17	0.19	0.01	0.37	29.6	20.2	15.8	1.3
Including	40.5	51.0	10.5	0.11	0.20	0.13	0.01	0.33	36.3	24.8	16.4	1.5
followed by	103.5	117.0	13.5	0.09	0.78	0.99	0.04	1.81	NA	NA	NA	NA
Including	113.6	117.0	3.4	0.09	2.21	2.15	0.08	4.44	NA	NA	NA	NA

Hole FW-08-12 intersected a length of platinum and palladium mineralization, where the Total Precious Metals (TPM) exceeded 1 gram/tonne over 9 meters, followed by a 4.3 meter section of semi-massive chromite that averaged 9.3% Cr₂O₃, followed by a 15.3 nickel enriched section that averaged 0.25% nickel. This was then followed by a 16.5 meter section of massive chromite that averaged 39.7% Cr₂O₃ followed by a third 13.3 meter section of massive chromite that averaged 36.4% Cr₂O₃. The two thicker beds had a very good Cr:Fe ratio of 1.7 and 1.8 respectively.

Hole FW-08-13 intersected a length of nickel mineralization over 18.8 meters that averaged 0.25% nickel, followed by a 67.9 meter zone of semi-massive to massive chromite that averaged 25.1% Cr₂O₃ including a richer section where 12 meters averaged 29.1% Cr₂O₃.

Hole FW-08-14 intersected a 73.5 meter thick zone of chromite mineralization that averaged 29.6% Cr₂O₃ including a 10.5 meter section that averaged 36.3% Cr₂O₃ with a Cr:Fe ratio of 1.5. This area of chromite mineralization was followed down hole by a platinum bearing unit over 13.5 meters that averaged 1.81 TPM g/t including a 3.4 meter section that averaged 4.44 TPM g/t.

The following table (Table 3) summarizes the drill hole intersections of the last two holes recently completed, to test the continuity of mineralization at a 100 meter step out to the Northeast on local grid line 13+00 NE. Massive Chromite was intersected in both of these two new holes. The following table provides visual descriptions of the core as noted by site geologists in the drill logs. These are visuals only - assays are pending on these two holes. Once all assays are received, downhole assay grade intervals will be released along with hole collar locations on the local and UTM grid for these as well as earlier holes where collar locations have not yet been reported.

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Table 3 (Recent drill results, observed mineralization, assays pending)

Hole ID	initial dip	from (m)	to (m)	Int. (m)	Visual observations
FW-08-22	-50 deg	250	256	6	Disseminated Chromite
		256	263.6	7.6	Semi Massive Chromite
		263.6	298.8	35.2	Massive Chromite
FW-08-23	-50 deg	265	269.7	4.7	Disseminated Chromite
		332.3	378	45.7	Massive Chromite

The widths of the chromite beds stated in Table 3 are drilled intercepts only, not true thickness. True thickness will be determined once additional drilling is completed and the deposit is modeled. The main massive chromite bed appears to be continuously mineralized over an apparent thickness of 35 to 45 meters on this section. Assay results for these drill holes are pending.³

The above noted holes were drilled on section 13+00NE, in a southwesterly direction (grid south) and the collars are on 50 meter centers. As stated above, upon receipt of complete assays from the holes drilled since June, additional collar location and down-hole information will be provided and summarized in table form.

(b) **Diamond recovery increases Good Friday grade:** KWG announced in late August, the further processing of remaining Good Friday Pipe half split drill core (weighing 1,170 kg) and the recovery of 0.54 carats of diamonds *suggesting* an indicated diamond content of 46.15 cpht, "carats per hundred tons",. This processing was done at the Mousseau Tremblay Inc., "MSI", heavy minerals laboratory in Williamsburg, Ontario. MSI used a different procedure to SGS Lakefield. Two diamonds were found in the +0.85mm fraction of the sample - one weighing 0.425 carat, the second weighing 0.115 carat. Both diamonds were white, transparent, clear and partly translucent, although some inclusions were noted. By comparison, SGS Lakefield found a 0.230 carat stone as a white translucent fragment with crystal faces showing 85% preservation in their split half of the Good Friday Pipe drill core.

KWG is pleased with the results of mini-bulk sampling. However, it must be *clearly emphasized* that both the SGS Lakefield and the MTI processing do not offer a reliable determination of diamond grade on the MacFadyen Kimberlite pipes. Considering the sample sizes and the continuing diamond-recovery results, however, these recent results show that a larger sample of the Good Friday Pipe as well as the MacFadyen No.2 Dyke should ultimately be of the highest priority for KWG.

(c) **Additional claims added to East-West option:** In July 2008, KWG acquired from East West Resources Corporation an option to earn a 65% interest in 18 claims consisting of 268 claim units. The 18 claims are located south-west of the Ring of Fire area in northern Ontario. In conjunction with an aerial survey of the 18 claims, KWG acquired an additional 21 claims consisting of 313 claim units in the same area.

(d) **World-wide market liquidity crisis:** Because of the current world-wide market liquidity crisis, any exploration program might be delayed until the capital market has stabilized. KWG may have to put any proposed exploration programs on hold, and keep its diamond group claims on a care and maintenance basis. Fortunately, KWG has sufficient assessment credits on its MacFadyen Kimberlites claims to maintain its MacFadyen, Pele and Unifom Surround claims in good standing beyond 2012 through the process of assessment credit redistribution. KWG has adequate cash assets to finance any immediate exploration expenses on the chrome, nickel & base metals claims in northern Ontario. KWG intends to pursue a prudent policy deferring exploration expenses whenever possible on the chrome, nickel & base metals claims in 2009.

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1.5 OVERALL PERFORMANCE - FINANCIAL

While conditions for financing small business in 2008 are unlikely to match those of 2007, local conditions and metal prices are a major factor for small exploration companies such as KWG. Strong metal prices, especially for nickel in 2007, helped KWG raise about \$6.5-million from the sale of treasury shares and warrants in fiscal 2007. On December 31, 2007, KWG had 262,863,821 common shares issued. In the first nine months of 2008, KWG issued 796,000 shares upon exercise of warrants for which KWG received \$69,240 or about 9-cents a share. On September 30, 2008, KWG had \$2,107,462 cash and cash equivalents which compared to \$5,472,150 on December 31, 2007.

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 September 30, 2008, KWG had working capital of \$2,076,087 compared to \$390,087 on September 30, 2007. The 2008 working capital includes \$2,107,462 in cash (September 30, 2007 (unaudited) - \$376,520) of which \$683,217 is reserved for exploration expenses to be made in Canada before December 31, 2008 (September 30, 2007 (unaudited) - \$312,934). Cash required for annual operating activities is in the order of approximately \$600,000; while the working capital available for non-exploration amounts to \$1,392,871. KWG has adequate working capital to finance its activities in 2008.

1.7 RESULTS FROM OPERATIONS

The loss for the period ended September 30, 2008 amounted to \$ 6,437,262 (\$0.02 per share) compared to \$569,881 (\$0.003 per share) in 2007. The following are the main variances of results from operations:

(i) ***Interest income – \$124,299 (2007 - \$2,688)***

KWG had larger amounts to invest in the first six-months of 2008 than it had for the same period in 2007.

(ii) ***Administrative expenses - \$684,695 (2007 - \$391,086)***

The increase is mainly related to the creation of the wholly-owned subsidiary, Debuts Diamonds and the transfer of the diamond assets to this subsidiary, \$180,759 in professional fees in 2008.

(iii) ***Stock compensation costs - \$374,974 (2007 - \$173,243)***

Stock compensation cost is a non-cash item. While the first six months of 2008 stock compensation cost was higher than the same period of 2007, actual cash outlay was not affected. The Company granted 11,310,000 options in 2008 and 2,979,700 in 2007. Therefore a greater number of options vested in the current period.

(iv) ***Write-down of mining assets - \$5,383,821 (2007 - \$Nil)***

In April 2008, KWG transferred to its wholly-owned subsidiary Debuts Diamonds, its diamond group claims. The fair market value of the mining assets transferred was evaluated by an independent party at \$7,000,000. Consequently a \$5,383,821 write-down was recorded.

(v) ***Write-off of mining claims - \$116,065 (2007 - \$Nil)***

In 2008, KWG abandoned the Geraldton claims; this is a non-cash item and there was no actual cash loss.

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1.8 SUMMARY OF QUARTERLY RESULTS

(Thousands of dollars, except amount per share)

Quarter	Total income (\$)	Loss (\$)	Loss per share (basic and diluted) (\$)
September 30, 2008	54	(333)	<(0.01)
June 30, 2008	25	(5,673)	<(0.02)
March 31, 2008	45	(431)	<(0.01)
December 31, 2007	25	(492)	<(0.01)
September 30, 2007	3	(219)	<(0.01)
June 30, 2007	-	(226)	<(0.01)
March 31, 2007	-	(125)	<(0.01)
December 31, 2006	-	(307)	<(0.01)

1.9 THIRD QUARTER RESULTS

Administrative costs during the third quarter of 2008 amounted to \$ 320,585 (2007 - \$128,649) related to the exploitation of the wholly-owned subsidiary, Debuts Diamonds and the transfer of the diamond assets to this subsidiary.

1.10 COMMITMENT

In 2008, the Company and two co signatories (the "Original Lessees") subleased the premises for the last year of the original lease. The Original Lessees remain jointly responsible until the expiry of the original lease in February 2009.

1.11 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 totaling \$ 84,839 (September 30, 2007 (unaudited) - \$ 67,315) of which \$ 9,198 remained payable at September 30, 2008 (September 30, 2007 (unaudited) - \$ 7,088) and directors of the Company and a company controlled by a director of the Company were paid \$ 53,261 (September 30, 2007 (unaudited) - \$ 45,000) for professional consulting services.

1.12 CHANGES IN ACCOUNTING POLICY

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

Under Section 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. The new standards apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

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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. As a result of the adoption of this new standard, the Company has added the entity's objectives under note 7 of the interim consolidated financial statements. The new requirements are effective for interim periods beginning on or after October 1, 2007.

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. The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008.

1.13 NATIONAL INSTRUMENT 52-109 – CERTIFICATES OF INTERIM FILING

The Chief Executive Officer and Chief Financial Officer have signed certificates that, among things, report on the design and effectiveness of disclosure controls and procedures and the design of internal controls over financial reporting.

The Company's management has a process to evaluate the effectiveness and the design of the aforementioned controls and procedures, and is satisfied, as at September 30, 2008, that these are adequate for ensuring that complete and reliable financial information is produced.

1.14 INTERNAL CONTROL OVER FINANCIAL REPORTING

Management has designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements for external purposes in accordance with Canadian generally accepted accounting principles. As at September 30, 2008, the Chief Executive Officer and Chief Financial Officer evaluated the design of the Company's internal control over financial reporting. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that design of internal control over financial reporting was effective as at September 30, 2008 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

There have been changes in the Company's internal control over financial reporting that occurred during the interim period ended June 30, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. The company has implemented additional controls related to the approval of assumptions and additional review of non-monetary transactions.

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1.15 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 period	16,897,432	15,611,907
Acquisition, staking and permits	297,556	72,891
Write-off of mining assets	(115,765)	-
Write-down of mining assets	(963,776)	-
Exploration expenses		
Drilling	1,646,129	820,802
Geophysics	170,513	73,494
Sampling	92,892	101,872
Consulting	134,707	35,310
Field preparation	5,858	29,939
Management	129,551	29,459
Line cutting	39,341	55,050
Camp expenses	93,408	56,108
Permits	-	10,600
Write-off of mining assets	(300)	-
Write-down of mining assets	(4,420,044)	-
	(2,889,931)	1,285,525
Balance - End of period	14,007,501	16,897,432

(ii) National Instrument 51-102 - Section 5.4

Disclosure of Outstanding Share Data (as at November 27, 2008)

Common shares outstanding: 269,659,821

Warrants and compensation options outstanding: 88,243,465

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

Options outstanding: 24,039,680 - average exercise price of \$0.11

NUMBER OF OPTIONS	EXPIRY DATE
425,900	July 2009
620,500	April 2010
7,128,580	November 2010
300,000	April 2011
1,800,000	December 2011
2,690,000	April 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).