

INTERVIEW WITH MEGAN McELWAIN

President and COO, KWG Resources

ANSWERS WRITTEN IN COLLABORATION WITH:

- John Rule, CFO, Ring of Fire GP,
- M.J. (Moe) Lavigne, VP Exploration & Development, KWG Resources,
- Bruce Hodgman, Vice President, KWG Resources



“Only the chromite deposit with its extraordinary longevity and grade can justify an investment of that magnitude.”

Megan McElwain earned her B.A. in Communications at Ryerson University in 2000. Throughout her career Megan produced content for Fox Television in Los Angeles, A&E Television Networks in New York and then Alliance Atlantis, CTV News, Discovery Channel, BBC, National Geographic and Global News from Toronto.

In 2008, Megan founded McElwain & Company, a marketing firm in downtown Toronto that quickly distinguished itself as the go-to agency for brands from GreatWest Life, MNP, Price Waterhouse Coopers, PCL, Nestle Canada and GAP Inc.

In 2018, Megan joined the Fraser Institute, an independent public policy research and education organization, as Director of Development.

Two years later, the Canadian Chamber of Commerce offered Megan the Vice President & General Manager position. Megan was appointed President & COO of KWG Resources in January 2022.



1 Since the Ring of Fire chromite discovery in 2008, the deposits were acquired by Freewest, then Cliffs, then Noront which was acquired by Wyloo Metals in April 2022 (Ring of Fire Metals). Currently, major players are Ring of Fire Metals and KWG Resources, can you please explain the reasons for these changes, what were key developments brought by previous companies? Can you please provide our readers with more information about KWG Resources?

KWG Resources is an exploration stage company that is participating in the discovery, delineation and development of chromite deposits in the James Bay Lowlands of Northern Ontario, including 1,024 hectares covered by four unpatented mining claims (Fancamp Claims) approximately 280km north of Nakina, Ontario, which contains the Black Horse chromite deposit, and 1,241 hectares covered by seven unpatented mining claims (Big Daddy Claims) approximately 280km north of Nakina, Ontario. The Corporation has a 30% interest in the Big Daddy Project.

KWG Resources is the Operator of the Black Horse Joint Venture after it had acquired a vested 50% interest through Bold Ventures Inc. which is carried for 10% (20% of KWG's equity in the JV) by KWG funding all exploration expenditures.

The Corporation had 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% working interest in respect of the non-chromite minerals contained in the Koper Lake Project.

On September 1, 2022, KWG Resources closed a transaction with Fancamp Exploration Ltd. whereby KWG Resources purchased all of Fancamp's interest in the Koper Lake claims which consist of the 4 "legacy" mining claims. Fancamp retains a 2% Net Smelter Return Royalty.

Under the pre-existing KWG-Bold Ventures Inc. Joint Venture agreement, and the Bold-Fancamp Option Agreement, Bold retains a 10% carried interest in chromite and a 40% working interest in all other metals found within the claims. Bold also possesses

a Right of First Refusal on a 1% NSR covering all metals found within the claim group. www.kwgresources.com

Canada Chrome, a wholly owned subsidiary of KWG Resources has staked mineral claims over a 330 km route of unique high ground through the wetlands. Having previously obtained a heavy rail survey from China's FDSI, KWG has also commissioned engineering proposals from Cormorant Utilities and Rail-Veyor Technologies for a light-rail electricity driven system. This will significantly reduce the total impact of transportation on these ecologically significant lands.

As well, KWG has secured a patent for a chromite reduction method that, according to a recent report from Natural Resources Canada's CanmetMINING division could reduce its carbon footprint by 55% or more, and costs by as much as 30%, over current practice.

2 Whilst chrome is classified as critical for both the USA and Canada, to which extent will chromium exploration in the Ring of Fire be a priority over the

other minerals available in the deposit such as nickel, copper, zinc, and PGMs, knowing that the supply is currently tight for these commodities?

Capex for the construction of a transportation corridor and the mining works would be significantly beyond the means of any 21-year mining lease envisioned to date. Only the chromite deposit with its extraordinary longevity and grade can justify an investment of that magnitude, given that the costs can be amortized over 100 years or more. Effectively, development of the chromite assets can significantly and positively impact the economic feasibility of the other minerals and hasten their development.

3 Why is chromium classified as a critical raw material by North America? What are North America's current sources of chromium, are these seen as unstable? Why would there be any urgency for North America to be self-sufficient with regard to chrome?

The principal reason for the classification of minerals as strategic is that without reliable

domestic access to them North America is vulnerable to the strategic whims of its rivals. The COVID pandemic exposed the vulnerability to which a nation can be exposed by easily interrupted supply chains.

The capacity to make stainless steel is of particular significance given that it is essential for the construction of war materiel: whoever controls its production controls the balance of power. Chromite is an essential ingredient in the production of stainless steel and other high performance alloys and current sources of it are generally found in jurisdictions that could be considered less than friendly to Western interests.

4 Canada has developed a tougher policy with regards to foreign investments in critical raw materials in an attempt to prevent foreign state owned or state connected companies to explore these minerals, why is it of strategic importance to keep the control of critical resources? China has been heavily investing in the South African mining sector in South Africa, what are your views on foreign investments to secure raw materials?

China has demonstrated its willingness to use embargoes and other means necessary to further its geopolitical goals. It is only prudent to take measures to reduce the potential strategic impact of potentially malevolent state actors.

5 Can you please tell us more about the key geological characteristics of the Ring of Fire chromite deposits?

The chromitite is hosted by an ultramafic intrusion that is coeval with the enclosing package volcanic and sedimentary rock and is a typical Archean age (2.7 to 2.8 by) greenstone belt as found throughout the Canadian Shield.

This greenstone belt is arcuate forming a 50 km diameter "C" shape, and has been dubbed the Ring of Fire. Most of the greenstone belt has been rotated to a near vertical position by late Archean mountain building. As typically found in greenstone belts, the Ring of Fire contains a variety of mineral deposit types such as Cu-Zn VMS, Cu-Ni-PGE MMS, Fe-Ti-V and lode gold.

The first exploration of the area, starting in the 1990's, was for kimberlite hosted diamonds. The area is contained within the flat James Bay Lowlands, an area where the Canadian Shield is covered by younger flat lying limestone and sandstone, which in turn is covered by 10 to 20 m thick glacial basal till, and finally, 1 to 5 metres of peat underneath the very wet bogs.

The chromitite occurs within a 10 km long northeast trending segment of the Ring of Fire. The host ultramafic rock is thin, often less than 500 m. The chromitite occurs as massive steeply dipping beds typically 40 m in thickness, which is usually accompanied by a sequence of layered chromite, with each layer being less than 2m, and net textured and disseminated chromite. At the northern end the width of the chromite bearing rocks is 400 m.

Chromite is also found within a 60 m thick shear zone that truncates the primary chromitite. The Cr:Fe ratio of chromite grains within the massive chromite is 2:1 and declines depending on the proximity of silicates. Concentrates produced from the massive chromitites

range from 40 to 50 % Cr₂O₃, and have been reduced to ferrochrome with 62% Cr.

The full extent of the chromitite remains to be determined by drilling. While some portions are sufficiently drilled to support engineering, the majority remains insufficiently drilled, especially in the areas where the shear zone has truncated the deposit from extending to the near surface.

6 From the last time the topic was covered at an ICDA conference, in 2018, several obstacles were mentioned such as site accessibility, the very fragile and pristine ecosystem of the area as well as the needs and priorities of the First Nations communities. Can you please update the readers on the latest progress made on these issues?

As an underground mine, the actual footprint of the site is very small, equal to that of a minor shopping plaza. The Rail-Veyor electric light rail system planned over the KWG transportation corridor will also have a minimal environmental footprint, with the added benefit that

it could provide cheaper and reliable electricity to the First Nations communities which are currently being served by diesel generation which is both expensive and polluting.

7 In a strong inflationary context which shows no signs of easing and with recession almost there, do you believe that such an investment could be beneficial in the medium to longer term?

Unlike consumer goods, strategic assets like chromite will be developed regardless of the direct economic conditions. As well, the cost advantages of the grade of the deposit, the direct reduction process and the political stability inherent in the deposit being in Canada could mitigate the effects of the current inflationary environment and lead to a resurgence in value added industry.

8 What is the current timeline for the Ring of Fire exploration? Would the tense geopolitical context accelerate the development? When could we expect chrome to be mined in the Ring of Fire, are you aiming at

Northern American market or overseas?

The timeline is driven, as much as anything, by the geopolitical situation. If tensions between east and west increase, then the strategic importance of the chromite resource could advance the timeline substantially. Long term there is likely to be a balanced split between domestic and foreign markets.

9 How will the Ring of Fire exploration translate into a source of benefits for First Nation communities and contribute to Ontario's economy?

Without First Nations' willing agreement the Ring of Fire will never be developed. It is KWG's firm position that project certainty is impossible to achieve without meaningful First Nations project ownership. Development capex must include a significant investment in First Nations infrastructure, i.e., basic facilities, services, and installations needed for the functioning of a community, such as transportation and communications systems, water and power lines and housing.

Ownership will provide the First Nations with the long-term revenue stream that their communities need to develop and sustain themselves.

On 4 November 2022 Ontario Ministry of Mines Minister George Pirie said, "Our mandate is to develop the mineral endowment of the province, and that begins with the Ring of Fire, where it is estimated that a trillion dollars of minerals exists in the ground."

Chromite, as already discovered, is the elephant waiting to be developed in the Ring of Fire ... more may be discovered along the way. In any case, chromite will accelerate exploration of all other minerals simply because capital costs will be restrained, the region will no longer be stranded and the First Nations, as owners, will be willing and active partners.

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