

# **KWG RESOURCES INC.**

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(An exploration stage company)

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

FOR THE YEAR ENDED DECEMBER 31, 2022

# MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis (the "MD&A") should be read in conjunction with the 2022 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 year ended December 31, 2022, is dated as of April 28, 2023.

## **COMPANY OVERVIEW**

KWG is an exploration stage company that is participating in the discovery, delineation and development of chromite deposits approximately 280 km 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".

Bold Ventures Inc. ("Bold") has an option agreement with Fancamp Exploration Ltd. ("Fancamp") entitling Bold to acquire up to 100% of the Koper Lake Project. Through a subsequent option agreement (the "Option Agreement") with Bold, KWG 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, KWG became vested in a 50% operator's interest in the Koper Lake Project which KWG renamed the Black Horse Joint Venture. The 50% joint venture interest includes 10% thereof in respect chromite and 40% in respect of non-chromite minerals, of which Bold is the beneficial owner as KWG funds that share of exploration and development expenses as a carried interest recoverable by capital payback from future production.

Through an agreement with Fancamp, on September 1, 2022, KWG acquired all of the rights, title and interests beneficially owned by Fancamp in and adjacent to the "Koper Lake-McFaulds" mineral properties, subject to Bold's rights under the Option Agreement. For Fancamp's interest in the Koper Lake Project plus \$1,500,000 from Fancamp, KWG (a) delivered to Fancamp a secured convertible promissory note (the "Secured Convertible Promissory Note") in the principal amount of C\$34.5 million (the "Principal Amount"); (b) issued to Fancamp 4,044,453 warrants (the "Consideration Warrants") to purchase multiple voting shares of KWG ("MVS") at an exercise price of \$4.6916 per MVS prior to September 1, 2023, \$4.4783 per MVS from September 1, 2023 until August 31, 2024 or \$4.2651 per MVS (the "Base Conversion Price") thereafter until the expiry date of September 1, 2027; and (c) granted to Fancamp a 2.0% net smelter return royalty (one-quarter of which may be purchased by KWG at any time for C\$5 million and the next one-quarter of which will be subject to a right of first refusal in favour of KWG) on any direct or indirect interest in the mining claims held by KWG on and after the closing date (the "Royalty").

The Company also has a 30% joint venture interest in the Big Daddy Project and a 100% interest in 1,033.6 hectares covered by 80 unpatented mining claims (the "Hornby Property") adjoining the southerly boundary of the Big Daddy Project, as well as interests in other mining exploration claims in northern Ontario, most of which are in the Ring of Fire area.

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, tramway, slurry pipeline or other form of haulage system from the Black Horse

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Project and the Big Daddy Project to Aroland near Nakina, Ontario, as well as exploring for, delineating and developing aggregate and other minerals.

KWG has also acquired intellectual property interests, including a method for the direct reduction of chromite to metalized iron and chrome using natural gas and an accelerant. KWG subsidiary, Muketi Metallurgical LP, has acquired two chromite-refining patents in Canada and one in each of the USA, Kazakhstan and South Africa and is prosecuting an application in Turkey.

## HIGHLIGHTS

During and subsequent to the year ended December 31, 2022:

- On January 4, 2022, the Company and CCC announced the receipt of an electrical infrastructure capex report from OneLine Engineering, the engineering branch of EPTCON Ltd., a Cormorant utilities service company (the “Electrification Plan”). The Electrification Plan estimates main corridor electrical infrastructure capital cost at \$960.5 million and the integrated indigenous community electrical infrastructure cost at \$788.1 million. The main corridor would provide electricity for mining operations at the Ring of Fire and for the operation of a proposed Rail-Veyor ore haulage tramway system from the Company’s proposed mine in the Ring of Fire along a 330-kilometre corridor to a proposed processing or trans-shipment location near Nakina, Ontario. The indigenous communities’ connections would connect the five First Nations communities of Marten Falls at Ogoki Post, Webequie, Eabametoong at Fort Hope, Neskantaga at Lansdowne House and Nibinamik at Summer Beaver, to the Ontario power grid and optical fiber networks and would eliminate diesel-generation of electricity in those communities except in outage emergencies.
- On May 2, 2022, after the Company received consent for the release, the Company released and filed on SEDAR a copy of the Canadian Chromite R&D Initiative Chapter 1.1 Chromite R&D Initiative – Background, Objectives, Approach and Summary of Accomplishments dated January 2022 and Canadian Chromite R&D Initiative Chapter 3.2.1 Direct Reduction of Chromite Conceptual Approach and Overview dated September 2021. The two reports issued by Natural Resources Canada’s CanmetMINING division, 555 Booth Street, Ottawa, ON, K1A 0G1, comment directly and very favourably on the results of research into the principal aspects of the direct reduction method to beneficiate chromite, patented by KWG with additional technology patented by CanmetMINING under the leadership of metallurgical scientist Dr. Dogan Paktunc. The research results suggest that the patented direct reduction method to beneficiate chromite may achieve 30% lower cost when compared to other methods currently employed, plus a reduced carbon footprint of 55% or more, plus a secondary by-product production stream of refractory material with significant market value to contribute to process revenues and concomitant further production cost reduction and efficiencies. This process has potential to meaningfully enhance the economic viability of the Ring of Fire. As part of Canada’s recently announced Critical Minerals Strategy, CanmetMINING has committed to funding for a further 2-year research program to prepare for scaling-up the direct reduction process in advance of piloting for commercialization. The entire Chromite R&D Initiative Research Report is being translated for future filing on the website of the Canadian Geological Survey.
- On July 21, 2022, KWG entered into a binding agreement dated July 20, 2022 with Fancamp Exploration Ltd. (“Fancamp”) with respect to a proposed transaction (the “Proposed Transaction”) involving the purchase by KWG from Fancamp of all of the right, title and interests beneficially owned by Fancamp in and to the “Koper Lake-McFaulds” mineral properties (also known as the Black Horse property), comprised of four (4) mining claims (the “Mining Claims”) located within the “Ring of Fire” in the Province of Ontario.

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The consideration payable by KWG to Fancamp for the purchase of the Mining Claims and the Fancamp Closing Payment (as defined below) consisted of: (a) the issuance by KWG to Fancamp of a secured convertible promissory note (the "Secured Convertible Promissory Note") in the principal amount of C\$34.5 million (the "Principal Amount"), having the principal terms set out below; (b) the issuance by KWG to Fancamp of such number of warrants (the "Consideration Warrants") to purchase multiple voting shares of KWG ("MVS") equal to one-half (1/2) of the Principal Amount divided by the ten (10) day volume-weighted average trading price of the MVS and the subordinate voting shares of KWG ending on the trading day immediately prior to the date of the binding agreement (such volume-weighted average trading price, the "Base Conversion Price"); and (c) the grant by KWG to Fancamp of a 2.0% net smelter return royalty (one-quarter of which may be purchased by KWG at any time for C\$5 million and the next one-quarter of which will be subject to a right of first refusal in favour of KWG) on any direct or indirect interest in the Mining Claims held by KWG on and after the closing date (the "Royalty").

- The Proposed Transaction was subject to a thirty (30) day right of first refusal (the "ROFR") in favour of Bold Ventures Inc. ("Bold") in connection with a joint venture agreement dated effective as of October 18, 2018 between Bold and Fancamp (the "JVA"). On August 10, 2022, Fancamp and KWG announced that Bold had delivered a signed waiver (the "Waiver") in respect of its ROFR to acquire Fancamp's interests in the four Koper Lake-McFaulds mining claims that contain the Black Horse chromite discovery, which KWG had offered to acquire from Fancamp as described above. The receipt of Bold's Waiver enabled Fancamp and KWG to proceed with the Proposed Transaction, subject to customary closing conditions, including any regulatory approvals or filings. KWG paid \$10,000 and issued 1,000,000 Subordinate Voting Shares to Bold as consideration for the Waiver.
- On September 1, 2022, KWG completed its purchase of all of the rights, title and interests beneficially owned by Fancamp in and adjacent to the "Koper Lake-McFaulds" mineral properties (also known as the Black Horse property), comprised of four (4) mining claims (the "Mining Claims") located within the "Ring of Fire" in the Province of Ontario.

For Fancamp's interest in the Koper Lake Project plus \$1,500,000 from Fancamp (the "Fancamp Closing Payment"), KWG (a) delivered to Fancamp the Secured Convertible Promissory Note in the principal amount of C\$34.5 million; (b) issued to Fancamp 4,044,453 Consideration Warrants entitling Fancamp to purchase 4,044,453 MVS at \$4.6916 per MVS prior to September 1, 2023, \$4.4783 per MVS from September 1, 2023 until August 31, 2024 or \$4.2651 per MVS thereafter until the expiry date of September 1, 2027; and (c) granted to Fancamp a 2.0% net smelter return royalty (one-quarter of which may be purchased by KWG at any time for C\$5 million and the next one-quarter of which will be subject to a right of first refusal in favour of KWG) on any direct or indirect interest in the mining claims held by KWG on and after the closing date.

- On September 30, 2022, KWG gave notice to all holders of Series 2021 Convertible Debentures (the "Debentures") that it elected to convert all principal and accrued interest owing on the Debentures aggregating \$6,609,419.86 into shares and warrants on November 2, 2022. On November 2, 2022, KWG completed the conversion of \$6,609,419.86 of Debentures (representing \$5,862,053.51 of principal and \$747,366.35 of interest) into 2,643,648 MVS and 440,614 warrants, each such warrant entitling the holder acquire three (3) MVS from treasury upon payment of \$3.20 per share at any time on or before the earlier of: (i) December 15, 2023, or (ii) two (2) business days after completion of a change of control event.
- On November 18, 2022, KWG extended the time to exercise various outstanding warrants which were issued in 2019, 2020 and 2021 so that each such warrant would have a full five (5) year term from the original date on which they were issued and, in conjunction with those

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extensions, increased the exercise price to \$3.20 per MVS. More particularly, 26,864 warrants had their expiry date extended to March 15, 2024; 3,808 warrants had their expiry date extended to June 17, 2024; 15,048 warrants had their expiry date extended to August 26, 2024; and 986,621 warrants had their expiry date extended to March 31, 2026, respectively, subject to any necessary cancellations (effective at their original expiry time on December 15, 2022) of some of the warrants held by insiders to the extent required by the CSE. As a result of the 3:1 subdivision of MVS which occurred on November 2, 2021, each warrant entitles its holder to purchase three (3) MVS until its expiry date. In conjunction with extending the expiry dates of the warrants, KWG announced the repricing of the exercise price of these warrants with the exercise price increasing on their original expiry date of December 15, 2022 from \$7.50 if exercised on or before their current expiry date of December 15, 2022 to \$9.60 per warrant if exercised after December 15, 2022 and before the applicable new extended expiry date, each such warrant entitling the holder to purchase three (3) MVS on or before its expiry date, thereby increasing the effective exercise price from \$2.50 per MVS to \$3.20 per MVS from December 15, 2022 until the warrants' respective extended expiry dates.

- On January 3, 2023, KWG announced the closing on December 30, 2022 of a non-brokered private placement of 66,667 flow-through units (each a "Flow-Through Unit") at a price of \$2.25 per Flow-Through Unit for aggregate gross proceeds of \$150,000.75. Each Flow-Through Unit is comprised of MVS and one multiple voting share purchase warrant of the Company, with each such warrant enabling the holder to acquire one MVS upon payment of \$2.75 at any time before December 30, 2027.
- On March 30, 2023, KWG announced that it had received from Quantec Geoscience Limited ("Quantec") its final report (the "Quantec Report") on the magnetotelluric survey recently completed over portions of KWG's Black Horse chromite project in the Ring of Fire area of northern Ontario. The Quantec Report, as well as the Summary thereof, were filed by the Company on its profile on SEDAR. The magnetotelluric survey was conducted over project areas including (i) one line over a target one kilometer to the northeast of the Black Horse chromite deposit and (ii) on a grid consisting of four northwest trending, 5km long lines covering a target area 2 to 4 kilometers to the northeast of the Black Horse chromite deposit postulated to contain the fault offset twin of the Black Thor chromite deposit. Those grid lines cover a northeast strike distance of 1.5 km at the confluence of the Koper Lake project claims, the Big Daddy claims and the adjoining 100% KWG-owned Hornby claims to a depth of 2.5 km. Each of these lines delineated distinct domains of low resistivity rock, similar to that found containing the Black Horse chromite deposit. They are capped by the lowest resistivity, which is likely associated with hydrothermal alteration and shearing. The upper surface of these domains ranges from 250 to 900 metres in depth, with width ranging from 1 to 2 km. This is the same range of width as the Ring of Fire intrusion at its northern extremity which contains the Black Thor and Black Label chromite deposits, confirming that these areas of low resistivity (the "Black Horse Targets") comprise viable chromite deposit targets that should be investigated further.

## OUTLOOK

KWG was invited on August 9, 2019, by the Canadian Environmental Assessment Agency (the Agency) to comment on its acceptance of a Project Description for the **Marten Falls Community Access Road Project** (the Project) submitted by Marten Falls First Nation (the proponent), to which the Company made the following response:

*To ensure the economic feasibility of our interests in the chromite discoveries in the Ring of Fire in northern Ontario (by enabling their access to markets), we staked contiguous claims from locations near Nakina, Ontario, to the Ring of Fire, which was completed prior to the Far North Act's promulgation. Our consent to the use of those claims will be forthcoming to any*



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*application that enhances and does not frustrate that purpose. The Supreme Court of Canada declined to interfere with the Ontario Court of Appeal's finding that we may not withhold consent to uses not offending our rights under the Mining Act, leaving intact the requirement for our consent to uses which could offend our rights under the Mining Act.*

*To properly assess that purpose, it is imperative for you to fully understand the results of the research undertaken by CanmetMINING and a study completed for us by China Railway First Survey & Design Institute Group (FSDI) relating to the economics of constructing and operating a railroad line on our claims from Nakina to the Ring of Fire in connection with development of chromite mines in the Ring of Fire.*

*The prospect for the development of these mines will provide for you important parts to an understanding of the global economic context of the rationale for Ontario providing the Webequie First Nation with a road to them, and the Marten Falls First Nation with bridges across the Ogoki and Albany Rivers for a road link south to Ontario's transportation network, in addition to the ostensible utility for the inhabitants of those communities.*

*That context is absent from the material filed to date.*

*Without that holistic context, your consideration of the Project is missing a significant and substantive reason, not being completely informed of an ultimate goal of these disparate and uncoordinated activities that may appear otherwise to be economically unsound but, with that holistic context, have a sound economic basis.*

*That substantive reason should absolutely command your consideration of the Project, in our view. That substantive reason is that Canada has been demonstrated to host in the Ring of Fire in northern Ontario an extremely high-grade and very thick chromite mineral occurrence of historic proportions which may be beneficiated to supply ferrochrome to a global market for many, many years, even generations and, with our country's wealth of natural gas, be able to do so at a tremendous cost advantage. Only your agency can properly weigh the profound economic imperative that these national endowments may visit on the global order for the benefit of many generations. Only your agency can rationally balance that international strategic currency of our land and people in considering the effect of its exploitation on its locale's society and biosphere.*

*Responsible extrapolations from available data suggest that, at current metal prices, there is a staggering value of chromium in situ in the Ring of Fire, that the FSDI railroad design can deliver from it, quantities greater than 100% of the world's present chromium consumption, and that a Canadian gas reduction patented process can produce ferrochrome from those deposits at significantly lower cost than all other sources.*

*As the world's nascent preference for non-corroding steel increasingly displaces corroding steels in rebar, structural steel and other aspects of infrastructure and building construction, Canada's chromium can become a most important international trade commodity. How that may occur, and the international trade considerations that will accompany that, must form part of your consideration.*

These developments, combined with previously published resource estimates, support management's opinion that the chromite deposits of the Ring of Fire may have a very long combined production life. Management believes that this will enable the depreciation and amortization of the cost of an

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infrastructure asset such as a railroad, tramway or utility corridor 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. In this context, the creation of the Canada-USA Critical Minerals Task Force can be anticipated to bring attention to not only this export potential, but also to the capacity of these domestic resources to guarantee Canadian and United States national security in chromium and its alloys.

KWG is very pleased to see the discovery area's directly affected First Nations continue to propound the Environmental Assessments for the transportation infrastructure which, in addition to servicing local communities, is needed for 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 underwrite the planning cost of community access roads and a proposed link between them.

On July 27, 2021 KWG announced that (a) it had engaged Rail-Veyor Technologies Global Inc. for the preparation of a design engineering feasibility proposal to construct an ore haulage system to facilitate the direct transport of mine production from underground, across the surface of mining claims staked and assessed for that purpose by the Company's subsidiary, Canada Chrome Corporation, along a 330-kilometer corridor from the Company's Black Horse project and Big Daddy project area to Aroland (near Nakina, Ontario) and (b) it had engaged Cormorant Utility Services Ltd. for the preparation of a design engineering feasibility proposal to construct electrical power transmission lines along the same corridor from Aroland to the Ring of Fire including transmission lines connecting to several contiguous remote communities.

The power line proposal will enable the Rail-Veyor ore haulage proposal to be prepared on the basis of electricity being supplied at Hydro One power-grid electricity rates, rather than the very-high-cost diesel-generated alternative. The Rail-Veyor ore haulage system will facilitate the direct transport of chromite and other ores from underground, across the surface of mining claims staked and assessed for that purpose by KWG subsidiary Canada Chrome Corp., along a distance of 330 kilometers to Aroland (near Nakina, Ontario) where there is access to existing railroad systems that connect to the rest of North America. The Company has proposed that the utility corridor assets may be vested in a trust for the benefit of members of affected indigenous communities in the area in order that those utility assets can be operated by the beneficiaries whose traditional territories host this infrastructure so the provision of this Ring of Fire's mining transportation requirements can become a substantial and independent indigenous enterprise.

The purchase of all of the rights, title and interests beneficially owned by Fancamp in and adjacent to the "Koper Lake-McFaulds" mineral properties (also known as the Black Horse property), located within the "Ring of Fire" in the Province of Ontario consolidates ownership and control of the chromite interests in that property. That should make the project more attractive to investors and facilitate the further exploration and development of the project.

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## Selected Consolidated Financial Information

<b>As at and for the years ended December 31</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Summary Operating Results Data</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
General and administrative expenses	4,192,888	2,945,968	1,315,747
Loss from operations	(38,370,977)	(14,751,544)	(1,543,039)
Net loss for the year	(35,269,353)	(14,884,427)	(1,611,503)
Loss per share	(0.02)	(0.01)	(0.00)
<b>Summary Balance Sheet Data</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash	921,680	1,825,789	11,613
Receivables	423,329	187,361	8,817
Marketable securities	-	-	370
Total current assets	1,359,927	2,013,150	20,800
Total assets	1,462,969	2,081,874	20,800
Trade and other payables	3,545,265	2,158,734	2,474,652
Long-term liabilities	23,204,108	1,047,147	80,930
Total equity (deficiency)	(26,217,856)	(1,968,796)	(4,076,716)

### **OVERALL PERFORMANCE – FINANCIAL**

During the year ended December 31, 2022, the Company continued to utilize the proceeds of the convertible debenture financing from September and October 2021 which injected \$3,673,554 of cash into the Company and converted \$1,730,562 of payables into convertible debentures. The Company also utilized the proceeds of the cash injection of \$1,500,000 received from Fancamp in September 2022 to cover administrative and general expenses as the Company does not currently have any significant revenue sources. KWG's exploration activities and operating costs were funded from the proceeds of this cash inflow. This cash inflow, together with the settlement of payables by issuing convertible debentures, was also utilized to reduce the Company's liabilities. The Company's other cash inflows consisted of royalty payments of \$3,125 and the exercise of options and warrants.

Regular operating expenditures for general and administrative expenses in 2022 (expenditures for 2022 and two previous years are set out in the table above) were approximately \$1,247,000 higher than the previous year as the Company continued ramping up its operations and incurred some significant consulting fees and professional fees to further its business plan and in connection with its purchase of Fancamp's interest in the Koper Lake – McFauld's properties.

On November 2, 2022, KWG completed the conversion of \$6,609,419.86 of Debentures (representing \$5,862,053.51 of principal and \$747,366.35 of interest) into 2,643,648 MVS and 440,614 warrants, each such warrant entitling the holder acquire three (3) MVS from treasury upon payment of \$3.20 per share at any time on or before the earlier of: (i) December 15, 2023, or (ii) two (2) business days after completion of a change of control event.

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 assess the construction of (a) a haulage system to transport mine production from the mine site and materials to the mine site and (b) an electrical power transmission system to serve the transportation system, the mine site and several contiguous remote communities.

KWG believes that its infrastructure project has been well-timed and the need for such facilities 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 transportation and utility link to the Ring of Fire.



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Although exploration activities on the mineral deposits in the Black Horse Project and the Big Daddy Project were not progressed very much in the last few years, that has recently changed with the Company engaging Quantec to undertake and report on a magnetotelluric survey completed in the first quarter of 2023 over portions of the Company's Black Horse chromite project in the Ring of Fire area of northern Ontario.

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

## **LIQUIDITY & CAPITAL RESOURCES**

The main sources of financing for KWG have been the issuance of equity shares and convertible debentures and the sale of non-core assets, although the Company also received some funds from Fancamp in connection with the Company's acquisition of Fancamp's interests in the Koper Lake-McFauld's property in September 2022. 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 and infrastructure.

On December 31, 2022, the Company had a working capital deficiency of \$3,116,790 (\$990,373 as at December 31, 2021). It had \$921,680 in cash as at December 31, 2022 (\$1,825,789 in cash as at December 31, 2021). The decrease in cash and the corresponding increase in the working capital deficit are attributable to normal operating expenses, as well as professional fees and other costs associated with its purchase of Fancamp's interests in the Koper Lake-McFauld's property.

On April 25, 2022, 500,000 warrants were exercised to purchase 500,000 Subordinate Voting Shares at \$0.05 each for cash consideration of \$25,000. On July 24, 2022, 10,005 Multiple Voting Share Options were exercised at \$1.00 each for cash consideration of \$10,005. On July 26, 2022, 98,505 Multiple Voting Share Options were exercised by a director at \$1.00 each for cash consideration of \$98,505. On December 1, 2022, 5,808 Multiple Voting Share warrants were exercised by an officer at \$2.50 each for cash consideration of \$14,520.

Between April 13 and August 15, 2022, \$1,542,063 of the convertible debentures issued on September 29, 2021 and October 22, 2021, were converted by the holders into 589,224 MVS and 98,204 Multiple Voting Share Warrants (each such warrant is exercisable to acquire three MVS at \$3.20 per share at any time on or before the earlier of December 15, 2023 or two business days after completion of a change of control event).

On November 2, 2022, KWG completed the conversion of \$6,609,419.86 of Debentures (representing \$5,862,053.51 of principal and \$747,366.35 of interest) into 2,643,648 MVS and 440,614 warrants, each such warrant entitling the holder acquire three MVS from treasury upon payment of \$3.20 per share at any time on or before the earlier of December 15, 2023 or two business days after completion of a change of control event. The conversion of these Debentures had a significant positive effect on the Company's working capital.

The Company forecasts operating expenditures of approximately \$5,000,000 for 2023. Due to the funds raised through the convertible debenture issuances in September and October 2021 and again in April 2023 and the receipt of funds from Fancamp on September 1, 2022, the Company currently has sufficient working capital to finance its corporate and administrative activities through the first three quarters of 2023. The Company expects to raise additional funds through further equity and/or debt financings, receipt of funds from the exercise of outstanding share purchase warrants and stock options or the sale of non-core assets throughout 2023 to cover longer term costs and exploration activities.

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The Company is in the process of exploring its exploration and evaluation projects and has not yet determined whether its exploration and evaluation projects contain mineral deposits that are economically recoverable. The Company is also in the process of pursuing patents on its chromium alloy technology in several countries and preparing for the commercialization of that technology. The Company will periodically have to raise additional funds to continue its exploration and other activities and, while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Unless the holders of convertible debentures and a convertible promissory note issued by the Company exercise their conversion rights to convert such liabilities into equity, the Company will also have to raise additional funds to repay its debenture and promissory note obligations when they come due and, while many convertible debentures have been converted into equity in the past, there can be no assurance that the holders of those compound financial instruments will convert into equity or that the Company will be able to raise sufficient additional funds in a timely way at the applicable time.

Until it is determined that properties contain mineral reserves or resources that can be economically mined, they are classified as exploration and evaluation properties. The recoverability of the amounts expended on the Company's exploration and evaluation projects is dependent upon: the discovery of economically recoverable reserves and resources; securing and maintaining title and beneficial interest in the properties; the ability to obtain necessary financing to complete exploration, development and construction of mining and processing facilities; obtaining certain government approvals; and attaining profitable production.

There is no assurance that the Company will be successful in obtaining further financing or continuing accommodation and support from service providers. Should the Company not be able to obtain the necessary financing and support, 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.

## **RESULTS FROM OPERATIONS**

During the year ended December 31, 2022, the Company recorded a loss of \$35,269,353 (\$0.02 per share) compared to a loss of \$14,884,427 (\$0.01 per share) for the year ended December 31, 2021. Included in these results are non-cash expenditures of \$34,669,894 (\$12,403,479 in 2021). The period results are explained as follows:

### *Income*

Other income totaled \$3,125 in both 2022 and 2021. The Company recorded a gain on the sale of marketable securities of \$nil in 2022 compared to a gain of \$861 for 2021.

### *Administrative Expenses*

Administrative expenses for the year ended December 31, 2022 amounted to \$4,192,888 (\$2,945,968 for 2021) for a net increase of approximately \$1,247,000. The following discusses variances in the main components of the administrative expenses:

- Salaries and benefits increased by \$8,000 and directors' fees and insurance increased by \$4,000 compared to 2021;
- Professional and consultants' fees increased by \$474,000 compared to 2021, as the Company continued ramping up its operations and incurred some significant consulting fees and professional fees to further its business plan, as well as in connection with its purchase of Fancamp's interests in the Koper Lake-McFaulds property; and

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- Corporate expenses increased by \$761,000 in 2022 compared to 2021 which included a decrease in filing fees and investor relations fees of \$11,000, increased interest expense of \$709,000, decreased overheads of \$19,000 and increased travel and promotional costs of \$82,000 as the Company continued ramping up its operations and incurred interest costs for Secured Convertible Promissory Note issued to Fancamp in connection with the purchase of Fancamp's interests in the Koper Lake-McFaulds property.

### *Stock-based Compensation Costs*

Stock compensation costs constitute a non-cash expense. Stock compensation costs for 2022 totaled \$nil compared with \$4,520,300 in 2021. The Company issued 120,961 stock options on MVS in 2022 compared with 1,134,861 stock options on MVS in 2021. The calculated cost of these stock options is recognized as an expense over the vesting period. 33,700,000 Subordinate Voting Share Options expired in 2022 (nil in 2021). 108,510 Multiple Voting Share Options were exercised in 2022 for \$1.00 per share (nil in 2021).

### *Exploration and Evaluation Expenditures*

During the year ended December 31, 2019, the Company changed its accounting policy for its exploration and evaluation projects to recognize these costs in the statements of operations in the period incurred, as permitted under International Financial Reporting Standard 6, Exploration for and Evaluation of Mineral Resources. Management judges that the change in accounting policy will result in clearer, more relevant and reliable financial information. The previous accounting policy was that exploration and evaluation expenditures were capitalized in respect of each identifiable area of interest, once the legal right to explore had been acquired, until the technical feasibility and commercial viability of extracting a mineral resource was demonstrated.

This policy change was accounted for retrospectively. As a result, exploration and evaluation expenditures expenses of \$33,316,573 were recognized in 2022 compared with \$7,162,414 in 2021. Included in the amount for 2022 is \$33,000,000 which was paid for the purchase of Fancamp's interests in the Koper Lake-McFaulds property and funded through the issuance of a secured convertible promissory note and the issuance of 4,044,453 Multiple Voting Share Warrants and \$35,000 which was funded through the issuance of 1,000,000 SVS.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## SUMMARY OF QUARTERLY RESULTS

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

Quarter ending	Total revenue	Net income (loss)	Loss per Subordinated Voting share (basic and diluted)
December 31, 2022	-	11,962	(0.01)
September 30, 2022	-	(44,720)	(0.03)
June 30, 2022	-	(1,566)	<(0.01)
March 31, 2022	-	(945)	<(0.01)
December 31, 2021	-	(12,312)	(0.01)
September 30, 2021	-	(1,098)	<(0.01)
June 30, 2021	-	(975)	<(0.01)
March 31, 2021	-	(499)	<(0.01)

The loss in the third quarter of 2022 was due to exploration and evaluation expenditures related to the purchase of mining claims from Fancamp and increased professional and consulting fees and the profit in the fourth quarter of 2022 was due to an adjustment to the calculated value of this purchase. The increase in the loss in the fourth quarter of 2021 was mainly due to consulting expenses, stock compensation costs, and to incur exploration and evaluation costs of studies for transportation and utility services. The increase in the loss in the second and third quarters of 2021 was principally a result of stock compensation expense and additional consulting and professional fees incurred in the third quarter as described above. The increase in the losses in the first and second quarters of 2022 was mainly attributable to increased professional and consulting fees incurred as a result of increased activity and the proposed Fancamp transaction. The loss for the other quarter is attributable mainly to ongoing general and administrative expenses.

## COMMITMENTS AND CONTINGENCIES

(i) The Company has incurred approximately \$13 million of expenditures which have been passed through to shareholders as eligible expenditures for their purposes under flow-through agreements. As noted in Note 3 to the 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 shareholders, 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 expenditure commitments.

In 2015, the Canada Revenue Agency ("CRA") 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 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 previously 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 filed formal objections to dispute the assessments. Following detailed exchanges with CRA appeals' staff over the ensuing 46 months, CRA issued revised notices of reassessment on August 16, 2019 seeking a tax balance for 2010 of \$1,626 only. The reassessment notice disclosed the addition of a retroactive \$15,000 penalty for the incorrect 2010 reporting and subsequent penalties of a further \$8,907 to compound the reassessed tax and

# MANAGEMENT'S DISCUSSION AND ANALYSIS

penalty being retroactively outstanding. The full amount shown on the notices of reassessment has been provided for in these financial statements.

Due to the fact that the 2010 and 2011 years were statute-barred in the opinion of management and that CRA had not issued reassessments to any subscribers for these years, as far as the Company was aware, the indemnification provision was reduced by \$2,542,947 in 2017 and a further \$526,826 in 2018. As a result of the issuance of the reassessments noted above, the indemnification provision was reduced by the remaining balance of \$767,444 in 2019.

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) 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 total commitment for the CEO's agreement along with certain other management contracts require payments totaling approximately \$1,019,000 upon termination. On a change of control, minimum payments range from \$2,540,000 to \$2,890,000 plus amounts calculated based on the share price of the Company and changes in the share price of the Company. As the triggering events have not taken place, the contingent payments have not been reflected in the financial statements.
- (iii) The Company and its subsidiary, Canada Chrome Corporation ("CCC"), entered into an agreement in January 2021 with the President and Chief Operating Officer of CCC whereby he may, over the two-year term of the agreement, earn \$70,000 per month which monthly salary may, at his option, be tendered for 1/24<sup>th</sup> of a 10% interest in CCC, for the purpose of which the total value of CCC was deemed to be \$16.8 million. Alternatively, all or any part of any unpaid salary may be tendered by him for payment in Multiple Voting Shares of the Company at \$1.00 per share at any time on or before June 18, 2024. An aggregate of 1,680,000 Multiple Voting Shares have been reserved by the Company for issuance for this contingency.
- (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 restrictive. 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.
- (v) The Company renounced \$420,000 of qualifying exploration expenditures to a shareholder effective December 31, 2020. Under the "look back" provision governing flow-through shares, this amount was fully spent by the end of 2022.
- (vi) The Company renounced \$150,000 of qualifying exploration expenditures to a shareholder effective December 31, 2022. Under the "look back" provision governing flow-through shares, this amount has to be spent by December 31, 2023.
- (vii) The Company has entered into certain agreements which subject certain future transactions to finder's fees, success fees and other fees contingent on the completion of such transactions.
- (viii) The Company has entered into certain agreements which contain break fees that could become payable by the Company. The amount of any such amount would be determined at the time. The Company has the option to make any such payment in shares.



# MANAGEMENT'S DISCUSSION AND ANALYSIS

## **RELATED PARTY TRANSACTIONS**

The Company defines its officers (CEO, CFO and corporate secretary) and directors as Key Management Personnel ("KMP"). During 2022, officers and companies controlled by officers charged consulting fees for cash consideration of \$1,564,289 (\$895,160 in 2021) and salaries in the amount of \$632,558 (\$622,778 in 2021). The consulting fees were for services performed by the corporate secretary, the president, a director and the CFO as well as for general accounting services. Directors' fees charged in 2022 totalled \$88,000 (\$79,000 in 2021). Amounts owing to directors and officers as at December 31, 2022 totalled \$1,538,577 (\$1,438,624 at December 31, 2021). Amounts payable are unsecured, non-interest bearing and have no fixed terms of repayment. KMP exercised stock options to acquire 98,505 Multiple Voting Shares and exercised warrants to acquire 59,688 Multiple Voting Shares in 2022 (284,621 stock options and 120,961 warrants exercisable for Multiple Voting Shares in 2021). In 2022, stock compensation expenses totalled \$nil for KMP (\$1,382,593 in 2021). In the three tranches of the convertible debenture financing completed in September and October 2021, officers and directors or entities controlled by them subscribed for an aggregate of \$1,532,560 of debentures.

## **CHANGES IN ACCOUNTING POLICIES**

The consolidated financial statements for the years ended December 31, 2022 and 2021 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 2022 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 2022 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:

### **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

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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 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 such debentures and to 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 are 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.

## **Impairment of Intangible Assets**

Management has assessed that there are indicators of impairment with regards to its intangible assets. As a result, an impairment loss equal to the full carrying value of these assets was recorded during 2019.

## **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 2022 audited consolidated financial statements which are available on [www.SEDAR.com](http://www.SEDAR.com).

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## **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**

The Company's cash is 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 December 31, 2022 and December 31, 2021, 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. Management reviews and assesses the collectability of its receivable balances on a periodic basis.

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 December 31, 2022 and December 31, 2021, the Company had \$nil in guarantees outstanding.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	December 31, 2022	December 31, 2021
Carrying amount	\$	\$
Cash and cash equivalents	921,680	1,825,789
Receivables	423,329	187,361
	1,345,008	2,013,0150

## 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 23 of the 2022 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.

## 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.

## 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 debentures 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

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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 accessibility and proximity to transportation, infrastructure and other necessities for development, 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 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.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

Some exploration properties are purchased under terms which include obligations for later payments, which later payments may be secured by granting security interests on those properties or on those and other properties and assets of the Company. If those later payments are not made, the properties and any other assets which have been provided as security for such payments may be sold by that creditor to obtain payment of moneys owing or that creditor may foreclose by judicial process and take over the properties pursuant to the terms of such security agreements. There is no assurance that the Company will be able to fulfill its obligations when payments become due and payable under the Secured Convertible Promissory Note issued to Fancamp in connection with the Company's purchase of Fancamp's interest in the Koper Lake-McFaulds property.

Few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish mineral reserves, to develop metallurgical processes, to construct infrastructure for access to a proposed mine site and to 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 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.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

*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, provincial and local governmental authorities and applications for such permits require consultations with affected First Nations. There is no assurance that consultations with affected First Nations can be completed effectively or within any set time-frame, resulting in lengthy delays in obtaining necessary exploration permits. There is no assurance that such permits can be obtained within a reasonable period of time or at all.

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 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

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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 one vice president.

## **OTHER**

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

Below is a detailed analysis of exploration expenditures incurred for the year ended December 31, 2022 with comparative figures for the year ended December 31, 2021 on a property by property basis:

#### **Black Horse Project**

<b><i>Cumulative exploration expenses</i></b>	<b><i>Year ended December 31, 2022</i></b>	<b><i>Year ended December 31, 2021</i></b>
	<b>\$</b>	<b>\$</b>
Balance – Beginning of the year	8,915,156	8,690,156
Exploration expenses		
Acquisition costs	33,045,000	-
Engineering	253,273	225,000
	33,298,273	225,000
Balance – End of the year	42,213,429	8,915,156

#### **Chromium IP J.V.**

<b><i>Cumulative exploration expenses</i></b>	<b><i>Year ended December 31, 2022</i></b>	<b><i>Year ended December 31, 2021</i></b>
	<b>\$</b>	<b>\$</b>
Balance – Beginning of the year	4,374,767	4,368,378

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Exploration expenses		
Legal fees	2,852	6,389
Balance – End of the year	4,377,619	4,374,767

## Railway Corridor

### **Cumulative exploration expenses**

	<b><i>Year ended December 31, 2022</i></b>	<b><i>Year ended December 31, 2021</i></b>
	\$	\$
Balance – Beginning of the year	23,301,273	16,363,859
Exploration expenses		
Engineering	18,300	6,937,414
Balance – End of the year	23,319,573	23,301,273

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## All Projects Combined

<b>Cumulative exploration expenses</b>	<b>Year ended December 31, 2022</b>	<b>Year ended December 31, 2021</b>
	<b>\$</b>	<b>\$</b>
Balance – Beginning of the year	51,192,290	44,023,487
Exploration expenses		
Acquisition costs	33,045,000	-
Engineering	271,573	7,162,414
Legal fees	2,852	6,389
	<u>33,319,425</u>	<u>7,168,803</u>
Balance – End of the year	<u>84,511,715</u>	<u>51,192,290</u>

The following is a detailed break-down of administrative expenses incurred for the year ended December 31, 2022 with comparative figures for the year ended December 31, 2021.

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Advertising and promotion	35,289	2,245
Consultants' fees	1,654,757	1,584,995
Directors' fees & insurance	101,938	97,716
Filing fees	38,757	14,628
Interest	772,883	63,002
Investor relations fees	26,848	62,403
Professional fees	876,991	472,962
Office overheads	163,233	182,571
Salaries and benefits	449,036	440,878
Travel & accommodation	73,156	24,568
	<u>4,192,888</u>	<u>2,945,968</u>
Total administrative expenses	<u>4,192,888</u>	<u>2,945,968</u>

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

Disclosure of Outstanding Share Data (as at April 25, 2023\*)

Note: \* Effective November 6, 2021, the Multiple Voting Shares were subdivided on the basis of one pre-subdivision Multiple Voting Shares being subdivided into three post-subdivision Multiple Voting Shares and, accordingly, the post-subdivision exercise prices for Multiple Voting Share warrants and options were reduced to one third of their pre-subdivision exercise prices.

**Subordinate Voting Shares outstanding:** 1,220,379,432

**Multiple Voting Shares outstanding:** 7,932,928

One hundred Subordinate Voting Shares are convertible at the option of each individual shareholder at any time into one Multiple Voting Share. Similarly, each Multiple Voting Share is convertible at the option of each individual shareholder at any time into one 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 one hundred votes for each one Multiple Voting Share. Dividend and liquidation rights for each Multiple Voting Share are correspondingly one hundred times the dividend and liquidation rights for each Subordinate Voting Share.



# MANAGEMENT'S DISCUSSION AND ANALYSIS

**Subordinate Voting Share Warrants outstanding:** nil

**Multiple Voting Share Warrants outstanding:** 9,689,237

An aggregate of 66,667 Multiple Voting Share warrants entitle the holders to purchase for each such warrant one Multiple Voting Share at an exercise price of \$2.75 on or before December 30, 2027.

An aggregate of 14,650 Multiple Voting Share warrants entitle the holders to purchase for each such warrant one Multiple Voting Share at an exercise price of \$3.00 on or before April 24, 2026.

An aggregate of 4,044,453 Consideration Warrants entitle Fancamp to purchase 4,044,453 MVS at \$4.6916 per MVS prior to September 1, 2023, \$4.4783 per MVS from September 1, 2023 until August 31, 2024 or \$4.2651 per MVS thereafter until the expiry date of September 1, 2027.

An aggregate of 1,854,489 Multiple Voting Share warrants entitle the holders to purchase for each such warrant three (3) Multiple Voting Shares at the following per share exercise prices as at April 25, 2023:

<b>Number of Multiple Voting Share warrants</b>	<b>Exercise price per MVS \$</b>	<b>Expiry date</b>
1,654,620	3.20	December 2023
76,740	3.20	March 2024
11,424	3.20	June 2024
45,144	3.20	August 2024
840,000	0.67	December 2025
2,935,539	3.20	March 2026

## **Options outstanding under the Company's Stock Option Plan:**

Each of Subordinate Voting Share option entitles the holder to purchase one Subordinate Voting Share of the Company and each Multiple Voting Share option entitles the holder to purchase one Multiple Voting Share at the following per share prices as of April 25, 2023:

<b>Number of Multiple Voting Share options</b>	<b>Exercise price \$</b>	<b>Expiry date</b>
729,900	1.00	January 2026
296,451	2.65	June 2026
120,961	3.20	November 2027
360,000	2.85	February 2028
1,186,100	3.00	February 2028

**Convertible debentures outstanding:** There is one unsecured convertible debenture outstanding. It is a single unsecured convertible debenture which was issued in the principal amount of \$500,000 on October 3, 2017, bears interest at 12% per annum, compounded annually and was due on October 3, 2019, but was extended to March 26, 2021. The maturity date has not been extended and, accordingly, the principal and accrued interest is due and payable. 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 twelve Multiple Voting Shares and six warrants, with each such warrant enabling its holder to acquire one further Multiple Voting Share from treasury

# MANAGEMENT'S DISCUSSION AND ANALYSIS

upon payment of \$2.50 at any time prior to maturity (namely, until March 26, 2021). The Company is currently renegotiating the terms of this debenture with the debenture-holder.

In addition, there is a series of unsecured convertible debenture outstanding which were issued on April 24, 2023 for an aggregate of \$959,590. These debentures are convertible into units at a rate of \$3.00 per unit at the holder's option at any time prior to payment in cash. The debentures mature on April 24, 2026 and bear interest at 5% per annum, accruing daily, compounding annually on the date on which the first debenture of the Series CD-2023 debentures was issued (the "Date of First Issuance") and payable on each anniversary of the Date of First Issuance and at the Maturity Date or conversion, such payment to be made either (i) at the Company's option, by payment in cash (other than in the event of a conversion) or (ii) by the issuance of Units at a deemed value of \$3.00 per unit. Each unit will be comprised of one (1) multiple-voting share and one (1) share purchase warrant enabling its holder to acquire one further multiple-voting share from treasury upon payment of \$3.00 exercisable at any time on or before the earlier of (i) the third anniversary of the maturity date or (ii) two (2) business days after completion of a take-over bid or a merger, amalgamation, arrangement or other form of business combination as a result of which the shareholders of the Company immediately prior to such bid or business combination do not own a majority of votes attaching to the voting securities of the Company or of the resulting issuer or do not have the power to elect a majority of the directors of the Company or of the resulting issuer, as the case may be, after completion of such bid or business combination.

**Secured Convertible Promissory Note outstanding:** There is a single secured convertible promissory note outstanding which was issued in the principal amount of \$34,500,000 on September 1, 2022. It bears interest at 6% compounded annually and is due on September 1, 2026. Interest is payable quarterly in arrears on the last day of each of the months of February, May, August and November commencing on November 30, 2022 in cash or, at the option of KWG, in Multiple Voting Shares at their volume-weighted average trading price on the five trading days prior to the payment date. The principal may be converted by the holder at any time, in whole or in part, into Multiple Voting Shares for \$4.6916 per share from the issue date to September 1, 2023; for \$4.4783 per share from September 2, 2023 to September 1, 2024; or for \$4.2651 per share from September 2, 2024 to the maturity date.

**Other convertible securities:** The Company and its subsidiary, Canada Chrome Corporation ("CCC"), entered into an agreement in January 2021 with the President and Chief Operating Officer of CCC whereby he may, over the two-year term of the agreement, earn \$70,000 per month which monthly salary may, at his option, be tendered for 1/24<sup>th</sup> of a 10% interest in CCC, for the purpose of which the total value of CCC was deemed to be \$16.8 million. Alternatively, all or any part of any unpaid salary may be tendered by him for payment in Multiple Voting Shares of the Company at \$1.00 per share at any time on or before June 18, 2024. He has earned \$1,680,000 under this agreement, which amount is unpaid. An aggregate of 1,680,000 Multiple Voting Shares have been reserved for issuance for this contingency.

## **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, tramway, pipeline or other haulage system; the proposed construction of an electricity transmission system; 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 completion of the Company's agreement with Fancamp to acquire its interests in the Koper Lake Project, the exercise of the Company's option on the Koper Lake Project and the

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Company's participation in the development of the Koper Lake Project and the McFaulds Lake properties; expectations regarding the consultation, assessment and construction of an electrical transmission system and a railroad, tramway and/or pipeline and/or other haulage system, 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, access, infrastructure 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 secure or develop access and infrastructure such as roads, railroads, tramways and/or electricity transmission lines for its proposed projects; 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 Subordinate Voting Shares or its Multiple Voting 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.

## **ADDITIONAL INFORMATION**

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