

# KWG Resources Inc: For Clarification Requested by OSC

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Toronto, July 18, 2018 - KWG Resources Inc. (CSE: KWG) (CSE: KWG.A) (OTC: KWGBF) (FSE: KW61) ("KWG") has been requested by staff of the Ontario Securities Commission to publish the following clarification of information contained in its Press Release No. 276 dated March 5<sup>th</sup>, 2018:

- Anticipated future production of chromium ores from the Ring of Fire properties is hypothetical and has no basis in any mining study; and
- Chromium resources in the Ring of Fire area are only mineral resources and economic viability has not been demonstrated.

## Development of Corridor Claims

KWG has previously stated that its subsidiary, Canada Chrome Corporation ("CCC"), staked and assessed more than 200 mineral claims along a lineament covering high ground where a road or railroad might be built linking the Trans-Canada east-west transportation corridor at Exton, Ontario, to the Ring of Fire in the James Bay Lowlands.

Such claim-staking does not confer the right-of-way for a railway or any other similar infrastructure.

The Company believes that CCC's prior right to enter upon, use and occupy the surface to prospect, explore, develop and mine those claims, or make any application under the Public Lands Act (Ontario) in respect of any use of the surface rights over them, or for the grant of a lease under the Mining Act (Ontario), would provide sufficient tenure needed for purposes of seeking to develop its mineral assets.

Accordingly, at an appropriate time, CCC intends to apply for an easement over the surface of those claims and, in the interim, on any application by any other person for an alternative use, CCC intends to participate in that process to protect its interest and ensure that such interests are afforded the considerations and protections provided by the Mining Act (Ontario).

## Ferros Cryptocurrency

KWG has previously stated that it proposed to create a blockchain-contract offering of a crypto currency, to be called the 'Ferro', backed by the Ring of Fire's chromite discoveries.

However, as the cost and complexity of access to this capital markets innovation in that manner proved to be daunting, KWG decided not to proceed at this time with the creation of its originally contemplated crypto-currency but has instead recently focused on first creating and distributing a chrome delivery warrant, the terms and details of which are not yet determined. KWG has received preliminary confirmation from the Canadian Securities Exchange that it should be able to list the proposed warrants for trading on the Canadian Securities Exchange. KWG is now considering the requirements for distribution of such a warrant issue, possibly as a return of capital dividend to its shareholders, in order to ensure compliance with applicable securities laws. The Company also continues to research the utility of the blockchain-contract provenance and safety attributes, for possible future use in the trading of such listed delivery warrants and options, as an analogue to the London Metal Exchange inventory tracking systems.

## Flow-through Limited Partnership

The previously-announced flow-through limited partnership continues, through its founding General Partner,

to negotiate terms with potential investors and their advisors. Under such terms, it is proposed that KWG's wholly owned subsidiary, Canada Chrome Mining Corporation, will incur, for a series of limited partnerships, \$100 million of partnership expenses to complete all the required exploration drilling, geological data acquisition and mine and process plan engineering for the production of a comprehensive bankable feasibility study of the Black Horse project in the Ring of Fire area of the James Bay Lowlands of Ontario, Canada, with which to enable China Railway FSDI to progress financing discussions.

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

Following full funding, the partnerships would be vested with a 50% economic interest in the mineral deposits studied and it is proposed that those interests be donated to a Trust for the neighbouring First Nations under the terms of a comprehensive settlement agreement that consensuses with the Framework Agreement and memoranda of understanding that they have completed to date.

The General Partner has discussed with two Trust Company candidates the possible administration of the Trust assets on behalf of a Board of Trustees to be constituted by those First Nations in accordance with their prior agreements and memoranda plus the trust settlement terms. Under the proposed arrangement, the Board of Trustees would nominate half of the Directors of the Ring of Fire GP Inc which would manage the mining assets of the limited partnerships' joint venture with KWG. The intention is for the joint venture to mine the chromite for sale for further processing, at a fixed price of cost-plus-10%.

It is anticipated that the work of the partnerships for completion of the bankable feasibility study would continue through the end of 2022. The Trustee would be obliged upon the future completion of mining activities attending the site's reclamation, to deliver the properties to the Government of Canada under its Ecological Gifts program to discharge the settlement.

About KWG:

KWG is the Operator of the Black Horse Joint Venture ('JV') after acquiring a vested 50% interest through [Bold Ventures Inc.](#) ('Bold') from [Fancamp Exploration Ltd.](#) ('Fancamp'). KWG funds all JV exploration expenditures and Bold is carried for a 20% interest in KWG's interest. The proposed feasibility study expenditure will add up to \$100 million to KWG's present \$8 million interest in the JV capital, in which Fancamp is deemed to hold \$8 million also. Should Fancamp elect not to contribute to the proposed feasibility study expenditure, its interest may be reduced to a 1% net smelter royalty after its JV interest becomes less than 10%.

KWG also owns 100% of Canada Chrome Corporation which has staked claims and conducted a surveying and soil testing program, originally for the engineering and construction of a railroad to the Ring of Fire from Aroland, Ontario.

KWG subsequently 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, is prosecuting two chromite-refining patent applications in Canada, India, Indonesia, Japan, Kazakhstan, South Africa, South Korea, Turkey, and USA. The national phase filings are under review in each of those jurisdictions, save that Canada, South Africa and Kazakhstan have now each issued a Patent for the direct reduction method.

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