TECHNICAL REPORT

FOR THE

WAWA DIAMOND PROJECT
LALIBERT AND MENZIES TOWNSHIPS
NORTH CENTRAL ONTARIO

OF

KWG RESOURCES INC. & SPIDER RESOURCES INC.

FOR

KWG RESOURCES INC. & SPIDER RESOURCES INC.

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SUMMARY
KWG Resources Inc. (KWG) and Spider Resources Inc. (Spider) hold, under a licence / lease agreement with Michipicoten Forest Resources and Cedar Falls Resources, an option on a 100% interest in the mineral rights to a 45 km^2 property in Lalibert and Menzies Townships, north central Ontario. Current approximate respective ownership to the mineral rights are 50.7% KWG and 49.3% Spider. The property is also subject to an agreement between KWG / Spider and Saminex, a private company owned by the two prospectors who made the initial diamond discovery on the property.

Highway 17, part of the Trans Canada highway network, bisects the property in a NW / SE direction. Access is also provided by secondary / tertiary logging roads, as well as numerous lakes, rivers, and creeks. Wawa, a mining community of 4100, lies 30 km to the south.

The property is situated within the Michipicoten greenstone belt which constitutes a part of the Wawa subprovince of the Superior province of the Canadian Shield, and is underlain primarily by mafic and felsic volcanic rocks of the Catfish assemblage, plus associated sedimentary rocks. A cluster of diamond bearing dykes and volcanic complexes, that are unrelated to the regional volcanic rocks which form the greenstone belt, were intruded into a regional volcanic pile at or near the contact between the older mafic rocks and younger felsic rocks of the Catfish assemblage. The volcanic complexes are composed of **a)** a hypabyssal facies represented by lamprophyre dykes containing ultramafic and crustal xenoliths of varying proportions, sizes and textures, **b)** a subvolcanic facies in which the dykes contain abundant fragments of the country rock and, **c)** a volcanic facies which includes breccia, lapilli tuff and ash units.

The Michipicoten greenstone belt underwent a complex structural history whereby it was first folded about east - west axes into recumbent folds and later re-folded into upright folds about northwest trending axes. High angle reverse thrust faults parallel to the NW axes created repetitions in the volcanic stratigraphy. As a result, the volcanic complexes are now aligned into NW trending corridors.

Seven centres of volcanic facies rocks plus numerous lamprophyre dykes of the hypabyssal facies have been located on the property during past phases of exploration. All facies may contain diamonds. To date 3422 diamonds (2842 micro, 546 macro and 34 commercial) have been recovered from 103 individual prospecting samples from 37 locales on the property. A total of 17 commercial size diamonds, those with one dimension > 1 mm, were recovered from 4 of 7 mini bulk samples. One area, a dyke that has been exposed by extensive stripping, is an immediate drill target.

Although exploration on the property is at an early stage, the geological environment underlying the property is believed to be highly prospective to host one or more diamond deposits. Prospecting and the treatment of 10 to 15 kg samples by caustic fusion have proven to be the most efficient, cost effective means to locate these diamond bearing rock units. A two phased, multi disciplined exploration program to cost $929,000 and to consist of prospecting, sampling, geological mapping, core drilling and bulk sampling is recommended to advance the property to a point at which its economic potential may be more confidently assessed.

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INTRODUCTION AND TERMS OF REFERENCE

Background, Authorization and Purpose

KWG Resources Inc. (KWG) and Spider Resources Inc. (Spider) hold, under a licence / lease agreement, an option on a 100% interest in the mineral rights to a 45 km^2 property near Wawa in Lalibert and Menzies Townships, north central Ontario **(Figures 1 & 2)**. The respective ownership to the rights by KWG & Spider varies depending upon who funds a particular work program and the costs involved. Current ownership is approximately 50.7% KWG and 49.3% Spider (Neil Novak, pers comm.). Spider is the project operator. As a result of recent exploration efforts several diamond occurrences are known on the property. The geological environment underlying the property is considered to be highly prospective for one or more diamond deposits.

The Wawa region has an extensive geological and mining history. From 1900 to 1998 92,758,846 tonnes of iron ore were produced from 11 deposits. In addition, 68,094 kg (2,189,285 oz) of gold were produced from 9,371,324 tonnes milled from 20 mines in the period 1902 to 2004 (A. Wilson, pers. comm.). Only the Eagle River gold mine, located 50 km west of Wawa, is currently in production. Depending upon commodity prices, advances in exploration technology, new discoveries, etc. the area has seen periodic bursts of exploration for gold, iron, base metals and more recently diamonds. The Sandor diamond occurrence, the discovery site of diamonds in bedrock in the Wawa region, is located on the KWG / Spider property.

The level of exploration has increased significantly in the past two years. Other companies active in the area **(Figure 3)** include Pele Mountain Resources Inc. (Pele), Band-Ore Resources Ltd. (Band-Ore) and Oasis Diamond Exploration Inc. (Oasis).

By letters dated September 12, 2005 Mr Neil Novak, President and Chief Executive Officer of Spider and Mr. Frank Smeenk, CEO of KWG requested the preparation of an updated technical report for the Wawa diamond property. The report is to be filed by Spider and KWG with the appropriate regulatory body (bodies) and may also be used to satisfy other regulatory requirements or financings. Copies of the Letters of Authorization are included herein as **Appendix I**.

Scope and Limitations

This report evaluates the mineral potential of KWG's Wawa diamond property. Research of historic exploration activities was limited to the property and immediate surrounding area. Data examined to determine the geological setting for the region were sourced for a larger area within the district. The unit prices for various contractors, laboratory charges, professional fees, etc. have been researched and are the going rates for northeastern Ontario based companies and individuals at the present time. For this report, imperial units have been converted to metric. Currency is expressed in Canadian dollars. The terms micro diamonds, macro diamonds and commercial diamonds are used in this report as follows. Micro diamond refer to diamonds for which all dimensions are less than 0.5 mm, macro diamonds have at least one dimension greater than 0.5 mm, and commercial diamonds have at least one dimension greater than 1.00 mm.

Sources of Information

Sources of information are detailed below, and include those in the public domain as well as personally acquired data.

- Research of the assessment files in the office of the Resident Geologist in Timmins on June 24 & 27, 2002 and July 20, 2005;
- Review of various geological reports and maps produced by the Ontario Geological Survey or its predecessors, and by the Geological Survey of Canada;
- Discussions with persons knowledgeable of the property and/or area; and

- Personal knowledge of the property. The Author, as an independent contractor / consultant to Billiken Management Services Inc. (Billiken) who have the management contract with KWG and Spider for exploration on the property, supervised the 2001, 2002 and 2004 exploration programs on the property, and is thus familiar with the property and the project.

In addition to the time spent reviewing the assessment files a total of 8 days were spent writing the report, preparing figures, etc.

Plan of Presentation

KWG's / Spider's Wawa diamond property is presented, described and evaluated in accordance with the guidelines specified in National Instrument 43-101. Recommendations for a staged, multi discipline work program with cost estimates that are necessary and warranted to effectively advance the property towards a better understanding of its economic potential are put forward. Maps that accurately display property location, exploration history, geology and exploration potential are also included.

DISCLAIMER

The Author was supplied with the following legal documents relating to the property. These were reviewed in order to detail the points of agreement listed in the following section. A legal opinion re the property status was not obtained.

1. Mineral Licence agreement with Algoma Central dated July 1, 1996.
2. January 21, 1997 letter sent to Saminex from Algoma Central.
3. Letter dated June 22, 1998 sent by Wagner Forest confirming the request for a reduction in the property size.
4. June 1999 Amending Agreement.
5. Draft of JV agreement between KWG and Spider.

PROPERTY DESCRIPTION & LOCATION

The 45 km^2 Wawa diamond property is located in Lalibert and Menzies Townships, north central Ontario, approximately 190 km north northwest from the city of Sault Ste. Marie **(Figure 1)**. Wawa (30 km to the south), White River (60 km northwest) and Dubreuilville (27 km NE) are the closest towns. Wawa and White River, as well as the property, are situated along Hwy 17 (part of the Trans Canada Highway network). The property boundary is defined by UTM coordinates and is not surveyed. Geographical coordinates for the southeast property corner are 84° 48.5' west longitude by 48° 08.9' north latitude **(Figure 2)**. The NTS designation is 42 C/2 & 7.

Mineral, timber and surface rights to the property were originally granted by the Canadian government to the Algoma Central and Hudson Bay Railway. Administration of these rights was conducted by the Algoma Central Corporation (ACC). The lands are generally referred to as the ACC lands. Subsequently, the rights were sold to Wagner Ontario Forest Management Ltd. (Wagner). The lands on which KWG / Spider hold an option were in turn sold to Michipicoten Forest Resources (MFR) and Cedar Falls Resources (CFR). The MFR & CFR lands are administered by Sustainable Forest Technologies (SFT). KWG / Spider acquired the mineral rights to the Wawa diamond project property for a 5 year term (which is renewable for a second 5 year term) under a Licence / Lease Agreement between ACC and Spider dated July 1, 1996. The licence pertains to exploration activities and the lease to any mining operation. Originally, the property included 222 km^2, but was reduced in 1998 to its present 45 km^2. A general summary of the main terms of the agreement follows, and are stated to reflect the facts that SFT have assumed all covenants and obligations from ACC, and that KWG and Spider are joint venture partners.

- SFT agrees to maintain the lands in good standing with respect to filings, fees, taxes, assessments, work commitments and other matters.
- SFT warrants that there is no adverse claim or challenge against the ACC lands.
- SFT warrants that there are no outstanding agreements with respect to the mining rights associated with the ACC lands except for a debenture with the Bank of Nova Scotia.
- KWG /Spider must pay an annual licence fee of \$500 / km^2 (\$22,500 total).
- KWG / Spider must incur annual exploration expenditures of \$2,000 / km^2 (\$90,000 total) during the first term and \$2,500 / km^2 (\$112,500 total) in the second term. (The

agreement is in the second term.) Any deficiencies may be made up by paying SFT one-half of the deficiency.

- KWG / Spider must pay SFT a 3% royalty on any production from the property.
- During exploration KWG /Spider must adhere to normal government regulations.
- KWG / Spider may assign all or parts of the property to a third party.
- KWG / Spider may reduce the amount of land under the agreement or request that additional lands be added thereto.
- KWG / Spider must provide SFT with an annual report of work, a work proposal for the coming year, 2 copies of all geological or other exploration reports and a certified copy of all expenses.
- KWG / Spider may acquire a 5 year term renewable lease provided that a minimum of $2,000,000 has been expended in exploration work on the ACC lands, and that the lease include a minimum of 16.19 ha (40 acres).
- KWG / Spider must pay an annual rent of $100 per 0.405 ha (1 acre) during the first term of the lease and $125 per 0.405 ha in any subsequent term.
- KWG / Spider must incur annual expenses on the lease of a minimum $1,000 per 0.405 ha in the first term and $1,250 per 0.405 ha in any renewal term.
- Once a lease has been granted, KWG / Spider may elect to reduce the royalty to be paid to SFT to a maximum 1.5% by paying SFT $2,000,000 during the first term or $2,500,000 in any subsequent term for each one-half (0.5%) percent reduction.
- Should SFT sell their rights to the lands the purchaser is required to assume the covenants and obligations of SFT as specified in the agreement.

KWG / Spider have also entered into an agreement with Saminex, a private company owned by Sandor Surmacz and Marcelle Hauseux. These two prospectors made the initial diamond discovery on the property in 1995. A summary of the terms of that agreement, supplied by Neil Novak, are as follows.

- KWG /Spider must make staged annual payments totalling $500,000.
- Payments may be a combination of 50% cash and 50% shares.
- Any lands acquired within a 50 km radius of the property by either party are subject to the terms of the agreement.

- Saminex retains a 20% net sales interest on proceeds from sale of production from the property.
- One half of the sales interest may be bought back by KWG/ Spider for $2,000,000 up until the 5th anniversary of the agreement.
- Within the subsequent 5 years the remaining interest may be purchased by KWG / Spider for $4,000,000.
- KWG / Spider must keep the property in good standing, must fund all exploration, must assume all liability and must provide Saminex with copies of all reports.

Since KWG / Spider were in default of the agreement with Saminex, by failure to make the fifth anniversary payment of $130,000 due February 02, 2001, the agreement between the parties was amended in a letter agreement dated October 22, 2002. Salient points re the amended agreement are as follows:

! The $130,000 amount owed was increased to $150,000 to be payed in staged installments ending June 01, 2004. KWG / Spider are liable for the full $150,000 even if they opt out of the agreement with Saminex. (All payments have been met (N. Novak - pers. comm.))

! One half (10%) of the 20% net sales interest on proceeds from the sale of production retained by Saminex may be purchased by KWG / Spider for $2,00,000 on or before June 01, 2005. (The purchase was not exercised.)

! The remaining interest (10%) may be purchased by KWG / Spider for $4,000,000 prior to June 01, 2010.

! If KWG / Spider opt out of or breach the agreement with Saminex, then 100% of the property reverts to Saminex and must be in good standing vis a vis the agreement with SFT for a minimum of one year. Should the agreement with SFT be terminated, then any claims held within the area of influence that do not revert to SFT are to be transferred to Saminex and be in good standing for a minimum of one year.

KWG / Spider are up to date with respect to the terms of the agreements with SFT and Saminex (Neil Novak, President of Spider and project manager (pers. comm.)).

The KWG / Spider optioned property is private land with no history of development. At the time the agreement between ACC and Spider was signed, ACC warranted that it was in compliance with all environmental laws. An environmental audit of the ACC lands was conducted when Wagner purchased the lands from ACC, and no environmental liabilities attached to the property were identified (John Walmsley consultant to Wagner, (pers. comm.)).

Obatanga Provincial Park lies 12 km NNW from the north boundary. As a consequence of Ontario's "Living Legacy" land use strategy a new provincial park named the University River Provincial Park (located 20 km SW from the property's west boundary) and a new Conservation Reserve named the Magpie River Terraces (located 8 km SE from the property's south boundary) were proposed for the area (MNR, 1999), and are currently in the process of being regulated. The existence of the parks and conservation reserve should not have an impact on exploration activities on the property, but will need to be considered for future mining operations.

The property is at the initial exploration stage. No work permits are required.

ACCESS, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE & PHYSIOGRAPHY

Highway 17 conveniently bisects the property in a NW/SE direction. Access to more remote portions of the property is provided by the Old Magpie Mine Road, secondary / tertiary logging roads that may or may not be maintained, and numerous lakes, rivers and creeks **(Figure 2)**.

The area experiences a temperate climate with moderate to long cold winters and short hot summers. Total precipitation is about 1000 mm including some 3 - 4 m as snowfall. "Lake effects", such as local snow squalls in winter or fog during any season, may occur due to the property's proximity to Lake Superior (100 km to the west or 40 km to the SW). Break-up or freeze-up conditions may impinge upon exploration activities, but normally exploration and mining (both open pit and underground) may be conducted year round.

Supplies and services required for both exploration and mining may be acquired in Sault Ste. Marie (220 road km south), Thunder Bay (490 road km WNW) and locally in Wawa. A pool of skilled labour for both exploration and mining activities, and accustomed to work in remote locales, exists in the local communities, principally Wawa, White River and Dubreuilville. Wawa, the nearest town with a population of 4100 and an established mining centre, boasts a hospital, airport, public schools, post office, two banks, several motels and restaurants, two hardware stores, 2 trucking companies, a railway station, helicopter and fixed wing charter services as well as various other stores and services. On the property there is sufficient space for a mine, on site mill, all ancillary buildings, tailings pond, etc. Several water bodies on the property and in the immediate area could supply an adequate amount of water for milling operations.

Infrastructure on the property, in addition to Hwy 17 and logging roads, includes telephone and fibre optic lines along the Hwy 17 right-of-way, as well as several privately held hunting / fishing cottages on McCormick Lake. There are also a number of motel facilities located along the highway in proximity to the property. High voltage power supply is available at Wawa and Dubreuilville.

Topography on the property and in the general area is modestly rugged with steep rock faces to ±30 m. Elevation ranges from ~340 m at the southern boundary to ~460 m just east of McCormick Lake **(Figure 2)**. The area is generally well drained. Most swamps are the result of beaver dams. Logging operations have been conducted in the area at various periods in the past such that the property is now covered by a secondary growth of trees and shrubs of varying maturity. Principal species present include jackpine, white and black spruce, balsam fir, white cedar, balsam poplar and white birch.

EXPLORATION HISTORY

General

Previously, several companies have conducted exploration activities on all or parts of the land now held under option by KWG / Spider. Records in the assessment files in the Timmins Resident Geologist's office for exploration work performed on or in the immediate area of the property were reviewed, and are summarized below. Locations for drill holes, mineral occurrences, geophysical anomalies, etc. are compiled on **Figure 4**. To date, no mineral deposit has been delineated on the property, and consequently there has been no production from the property nor any reserve or resource calculated.

Company / Individual Reports

1910 - 1911 Algoma Central & Hudson Bay Railway : (ACHR)

ACHR exposed 3 semi parallel iron formation units in numerous trenches north of Brant Lake in the northwest corner of Lalibert township. Three (3) holes totalling 890 m were drilled in 1911 to determine the iron content of these units. The best assay reported was 43.13% Fe over 16.8 m.

1950 -1953 Jalore Mining Company Ltd. : (Jalore)

During this time interval prospecting parties examined the iron occurrences from Leclaire Township west to Keating Township. No maps or sketches of areas worked accompany the brief reports. Over a 10 day period in 1952 R.D Burns examined the sedimentary rocks in the McCormick Lake area for their iron potential. No map was included with his 6 page report.

1953 - 1966 Seven Islands Mining and Exploration Corporation Ltd. : (Seven Islands)

The Seven Islands' 2 mile by 1½ mile property was located in north central Lalibert Township, and covered the Brant Lake iron occurrence. A ground magnetic survey was completed over the deposit in 1953, and the deposit was remapped in 1966. In 1954 eighteen (18) short core holes totalling 660 m were drilled to test the extent, continuity and grade of the Brant Lake deposit.

1955 V.R. Venn : (Venn)

Venn spent 5 days prospecting and mapping along the Old Magpie Mine Road from McCormick Lake to Maguire Lake in order to determine the cause for a magnetic anomaly, and also to check out the sedimentary rocks, presumably for iron formation. He noted what appeared to be mafic volcanic bombs with radiating tremolite.

1956 Algoma Central Railway : (ACHR)

G.M. Cameron mapped the rock outcrops along the Trans Canada Highway at a scale of 1:15,840 (1"=¼ mile). What is now referred to as the Sandor diamond occurrence was mapped as a dyke with serpentinized boulders.

1956 - 1957 Callahan Algoma Mines Ltd. : (Callahan)

The only information available for Callahan's exploration programs is contained in correspondence from Harold O. Seigal & Associates Ltd. to Callahan. Base metals appear to have been the target for this work. A combined airborne electromagnetic survey was flown over Lalibert and all or parts of adjacent townships. There are no reports on the type of system used, flight line direction or any other survey parameters. No anomalous electromagnetic responses were detected on the KWG / Spider property. Three anomalies close to the property - two of short strike length northeast of McCormick Lake and a third, some 3000 m long, south and east of McCormick Lake - were delineated in close proximity to the KWG / Spider ground. These 3 anomalies were further investigated with ground em and magnetic means. There are no records of additional follow-up work.

1966 Acme Gas and Oil Co. Limited : (Acme)

Canadian Arrow Mineral Surveys was contracted to fly a combined electromagnetic and magnetic survey over an area that included both Lalibert and Menzies townships. Two conductive zones near Radford Lake and Big Marsh Lake were checked with ground electromagnetic surveys. Four short core holes were drilled to test these conductive zones. Graphite in argillite was found to be the cause for the electrical conductivity.

1975 Umex Corporation Ltd. : (Umex)

Umex flew an electromagnetic survey over Lalibert and Menzies Townships in 1974. Details as to the total area covered, contractor, flight line spacing and other parameters are not available in the assessment files. Three (3) conductive zones were reported in Lalibert Township and another 2 in Menzies. Geological & ground electromagnetic surveys were completed on the 3 Lalibert zones. Each zone was tested with one short (100 -150 m) core hole (holes WA-1, 2 & 4), and in each case the cause for the anomaly was found to be graphite.

1982 - 1984 International Corona Resources Ltd. : (Corona)

Following the discovery of the Hemlo gold camp, Corona optioned 13½ townships from ACHR, including Lalibert and Menzies, to form “Operation Wawa”. A Dighem combined electromagnetic and magnetic survey was flown in 1983. Two anomalies were identified just east of the KWG/ Spider property, one ~1 km NNE of the northeast corner of McCormick Lake, and another 3 km NNE of McCormick Lake and west of Radford Lake. Follow-up work on Dighem anomalies included geological mapping, VLF electromagnetic surveys & geochemical soil sampling. The existence of the airborne electromagnetic anomalies was confirmed.

1984 - 1987 Mascot Gold Mines Limited : (Mascot)

Mascot continued with Corona’s “Operation Wawa” project. Only a compilation of past exploration was completed for Lalibert and Menzies Townships.

1991 - 1992 Hemlo Gold Mines Inc. : (Hemlo)

Hemlo continued “Operation Wawa”, but the area was reduced to 7 full townships and parts of 5 others. Lalibert & the north half of Menzies were still included. Eighty-three (83) large ~25 kg till samples were collected at ~ 250 m intervals along the Magpie Road from the west boundary of Lalibert through to northeastern Musquash Township. Gold results were uniformly low, and no further work was recommended.

1995 Marcelle Hauseux and Sandor Surmacz : (Hauseux & Surmacz)

In 1995, as part of an OPAP program, Marcelle Hauseux and Sandor Surmacz collected and submitted for caustic fusion treatment 2 samples of “diatreme-like, xenolithic ultramafic rock” (Hauseux & Surmacz, 1996) from two separate dykes located in Lalibert Township. Sample number 95-HM-101 produced 6 gem quality diamonds including one macro diamond, while sample number 95-HM-102 contained 1 micro diamond (which may have been, according to the laboratory report, the result of laboratory contamination). The site from which sample 95-HM-101 was taken is now referred to as the Sandor occurrence. It is the discovery location for diamonds in bedrock for the Wawa area.

1996 - 2002 Spider Resources Inc. and KWG Resources Inc. : (Spider / KWG)

Hauseux and Surmacz brought the discovery to the attention of KWG / Spider in early 1996. Later that year the companies acquired a licence / lease agreement from Algoma on a 122 km^2 property in Lalibert, Knicely, Leclaire and Menzies Townships. Subsequently, exploration programs were conducted in 1996, 1997, 2001, 2002 and 2004. A summary of this work is presented in the section titled **"EXPLORATION'** later in this report.

Government Reports and Other Data

A synopsis of government maps and reports pertinent to the area in general and the property in particular are listed below.

1926 Geological Survey of Canada : (GSC)

Between 1918 & 1920 W.H. Collins and T.T. Quirk mapped a 40 km x 32 km area of the Michipicoten region that included Lalibert and Menzies Townships. Coloured map 1972 at a scale of 1:63,360 was published in 1923 and Memoir 147 in 1926. Both townships are shown to be underlain principally by volcanic flows and tuff.

1962 - 1965 Geological Survey of Canada : (GSC) & Ontario Department of Mines : (ODM)

During 1962 & 1963 Spartan Air Service flew, under contract to the GSC & ODM, a regional airborne magnetic survey that included all of Lalibert and Menzies Townships. Flight lines were oriented N/S at a nominal 800 m spacing. Maps 2192 G for NTS sheet 42C/2 & 2193G for sheet 42 C/7 which fully cover both townships were published in 1963 at a scale of 1:63,360. A compilation of the magnetic data for NTS 42C was subsequently issued in 1965. Prominent magnetic anomalies within the two townships correlate with the Dickenson Lake stock and another small stock centred upon McCormick Lake, and with a northeast trending diabase dyke.

1963 Ontario Department of Mines : (ODM)

A.M Goodwin compiled the geology and mineral occurrences for the Michipicoten area. Map P.184 was released in 1963 at a scale of 1:31,680. No mineral occurrences are shown on the KWG / Spider property.

1966 - 1970 Ontario Department of Mines : (ODM)

E.J. Leahy et al. compiled the geology for the Wawa Sheet which comprise NTS sheets 41 N/9, 10, 11, 14, 15 & 16 and 42 C/1, 2, 3, 6, 7 & 8. Map P.640 was issued in 1971 at a scale of 1:126,720.

1972 Ontario Department of Mines : (ODM)

The work of Leahy et al. was incorporated into coloured compilation Map 2220, the Manitouwadge - Wawa Sheet, which was released in 1972 at a scale of 1:253,440.

1988 Ontario Geological Survey : (OGS)

In 1987 Dighem Surveys and Processing Inc., under contract to the OGS, flew a combined airborne electromagnetic and magnetic survey over the entire Michipicoten greenstone belt. Results were released in 1988. Flight lines in the Lalibert / Menzies region were oriented NE/SW and spaced 200 m apart. Map sheets 81005, 81015 & 81016 cover the property. Only a few anomalies were detected within the property limits. Some half dozen or so single line anomalies occur coincident with Highway 17, and are most probably due to cultural sources such as metal culverts. A 500 m long anomaly lies just south of and parallel to the north boundary. Its source is unknown.

1992 Ontario Geological Survey : (OGS)

E.D. Frey & R.C. Stewart compiled the Wawa area mineral deposit data base which was subsequently published in 1992 as Open File Report 5775. Two unnamed sulphide occurrences are reported to the east of the property in Lalibert Township. The Dore River iron occurrence lies to the west of the property in Menzies Township.

1994 Ontario Geological Survey : (OGS)

Between 1979 and 1988 R. Sage mapped 15+ townships of the Michipicoten greenstone belt at a scale of 1:15,840 including Lalibert (but not Menzies). Open File Report 5589 for Killins, Knicely and Lalibert Townships was produced in 1993. Open File Map 221 for Lalibert Township is included in that report. A synoptic report for the entire area mapped was published in 1994 as Open File Report 5888. The bedrock geology underlying the property is shown to consist of mafic volcanic flows and pillow flows on the east and felsic volcanic tuff and lapilli tuff to the west. Younger diabase dykes oriented NNW/SSE and NE/SW cut the volcanic sequence.

1994 Ontario Geological Survey : (OGS)

T. Morris in 1994 undertook for the OGS a regional modern alluvium (stream sediment) sampling program over a large portion of the Michipicoten greenstone belt to determine the distribution of kimberlite heavy minerals (KIM's) in the area. Results were published in 1994 as Open File Report 5908. Some 7 sample sites are located on or near the property. Sample Wad49S94 (#49), from a site at Maguire Lake east of the property, contained 9 chromite grains, while sample Wad51S94 (#51) produced 8 grains. The Cr content of individual grains ranged from 30.00 to 38.80 % for sample #49, and from 23.53 to 42.50 % for sample #51. All values are well below the 61% Cr level indicative of a potential diamond bearing kimberlite source.

1995 Ontario Geological Survey : (OGS)

As part of his bedrock mapping program Sage noted and mapped alteration assemblages normally associated with metallic mineral deposits, viz. chloritoid bearing areas, tourmaline bearing areas and calcium-potassium metasomatized areas. A map of the Michipicoten greenstone belt on which are plotted regional zones of alteration was published in 1995 as Preliminary Map P.3322 at a scale of 1:50,000. No such areas of alteration occur on or in the general region of the property.

1999 Ontario Geological Survey : (OGS)

From 1990 to 1996 T. Morris collected till and humus samples as part of a regional overburden materials mapping and sampling program of the Michipicoten greenstone belt. Results were published in 1999 as Open File Report 5981. Anomalous values for gold and base metals were reported for several sites on or near the property. These are listed below in **Table 1**.

TABLE 1
Anomalous Values in Till Samples

Sample #	Au ppb	As ppm	Co ppm	Cu ppm	Ni ppm	Pb ppm	Zn ppm
HJ95 (B)	17						
91HJ112 (H)	3	37					
91HJ463 (B)			22				74
91HJ66 (B)			22	75	64		80
91HJ110 (B)					54		88
HJ80 (B)			34		280		

Note: H = humus sample & B = “B” horizon till sample.

2000 Ontario Geological Survey

In 1996 R. Sage initiated a preliminary study on the Sandor diamond occurrence. The composition of the dyke meets the definition of a spessartite. A sample from the Sandor occurrence produced an age date of 2.703 ± 42Ga. Since the felsic volcanic rocks of the Catfish assemblage are dated at 2.70 Ga, Sage concluded that the dykes were emplaced into the volcanic stratigraphy near the conclusion of the deposition of the lower / older mafic volcanic units of the Catfish assemblage.

2001 Ontario Geological Survey : (OGS)

T. Morris conducted surficial mapping in the Michipicoten area between 1990 and 1996. Open File Map 192 for NTS sheet 42 C was released in 1992. Open File Report 6055, accompanied by coloured map 2573 & 2574, was subsequently published in 2001. A thin discontinuous layer of sandy till with patches of unmappable till >1 m thick is the main soil cover on the property. Minor pockets of glaciofluvial outwash sand and gravel or of swamp and organic deposits constitute the subordinate soil types. Glacial striae noted on and in the vicinity of the property indicate that the ice advance was from the NE to NNE.

2002 ***Ontario Geological Survey : (OGS)***

G.M. Stott et al. visited several diamond occurrences in the area and reported upon their observations and conclusions in OFR 6100 p.9-1 to 9-10. They suggest that the diamond bearing dykes and heterolithic breccias are related to a late orogenic suite of intrusions that were emplaced approximately 2673 million years ago.

2003 ***Ontario Geological Survey : (OGS)***

In 2003 C. Vaillancourt commenced 1:20,000 scale mapping of Menzies Township. A brief description of lithological and structure observations as well as company exploration updates were published in OFR 6120 p.9-1 to 9-11.

2003 ***Ontario Geological Survey : (OGS)***

Age dates determined by U/Pb geochronology for three samples from Lalibert Township were published in OFR 6120 p.10-1 to 10-9. Data suggests an age of emplacement of the dykes at ~2685 Ma.

2004 ***Ontario Geological Survey : (OGS)***

D. Stone and L. Semenyna undertook a petrography, chemistry and diamond characteristics study on the heterolithic breccias and lamprophyres of the Wawa area. Results were published in OFR 6134.

2004 ***Ontario Geological Survey : (OGS)***

In 2004 C. Vaillancourt continued the 1:20,000 scale mapping project of Menzies Township. A brief description of lithological and structure observations were published in OFR 6145 p.6-1 to 6-9.

2005 ***Ontario Geological Survey: (OGS)***

Summaries of work undertaken by companies active in the Wawa area in 2004 were published in OFR 6149.

2005 Ontario Geological Survey : (OGS)

C. Vaillancourt's map for Menzies Township was released as Map P.3366.

Other

2002 Fiona Williams : (Williams)

Williams' University of Sydney B.Sc thesis topic was concerned with the diamond bearing lamprophyre dykes and heterolithic breccias in the Wawa area. The bulk of the work undertaken for her studies was petrography and chemistry. Among her conclusions were the following;

- the geochemistry of the Late Archean diamond bearing dykes and breccias is considerably different to that of diamond bearing kimberlites and lamproites, but similar to post Archean calc-alkaline lamprophyres;
- the absence of diamond indicator mineral or xenocrysts from typical diamond bearing rocks and the shallow lamprophyre source depth supports an unconventional diamond origin; and
- diamond formation was associated with multiple accretionary episodes that occurred during the assembly of the Superior Structural Province at 2.7Ga, with reactivation of reverse thrust faults possibly transporting the diamond bearing sequences into the path of an ascending lamprophyric magma.

2003 VIIIth International Kimberlite Conference : (IKC)

The guidebook for the northern Ontario field trip contains descriptions for several of the diamond bearing lamprophyre and heterolithic breccia occurrences in the Wawa area.

GEOLOGICAL SETTING

Regional (Summarized from Williams, et al., 1991)

The property lies within the Michipicoten greenstone belt, one of eight Archean aged, elongate bands of supracrustal volcanic and sedimentary rocks separated by granitoid rocks that constitute the Wawa subprovince of the Superior province of the Canadian Shield **(Figures 5 & 6)**. This belt is essentially Y shaped, and has maximum dimensions of 140 km E/W by 45 km N/S. It is bounded to the north by the Pukaskwa batholith and the Dubreuilville pluton, and to the south by the Whitefish Lake batholith **(Figure 7)**.

Three discrete cycles of volcanism termed assemblages are recognized within the Michipicoten greenstone belt. These are the 2.89 Ga (billion year old) Hawk assemblage, which is overlain by the 2.75 Ga Wawa assemblage, which in turn is overlain by the 2.70 Ga Catfish assemblage. Contact relationships between the assemblages are normally obscured by younger faults and shears, but are unconformable where observed.

The Hawk assemblage has a limited 5 km x 25 km exposure along the southern margin of the belt. It consists of lower / older pillowed and massive basalt flows and peridotitic komatiite flows, overlain by upper / younger calc-alkalic tuff, quartz-feldspar crystal tuff, lapilli tuff and breccia. The Hawk granite pluton, which is intruded into the lower mafic volcanic rocks, is of the same age as, and is thus probably co-magmatic with the younger felsic volcanic rocks. A thin, chert-magnetic iron formation caps the volcanic rocks.

Units in the lower portion of the Wawa assemblage include massive and pillowed magnesium- and iron-rich tholeiitic mafic volcanic rocks, and locally, polymictic breccia and epiclastic breccia of intermediate to mafic composition. The upper portion varies in thickness from 2 km near Wawa to 300 m some 10 km to the east, and comprises felsic tuff, quartz-feldspar crystal tuff, lapilli tuff, oligomictic and polymictic breccia and rare spherulitic flows. The Jubilee stock, located at the base of the felsic units, is of the same relative age, and thus considered to be the subvolcanic equivalent to the felsic volcanic units. A 100 - 150 m thick iron formation with a strike length in excess of 100 km caps the assemblage. This formation, which was the source of the iron ore mined in the area, consists of 5 recognizable facies. From base to top these are massive siderite, massive pyrite and pyrrhotite, bedded chert-magnetite, chert-wacke and siliceous, graphitic pyritic argillite.

The lower part of the Catfish assemblage is composed of massive and pillowed magnesium- and iron-rich tholeiitic flows. These rock units are indistinguishable from those in the lower portion of the Wawa assemblage, and can only be differentiated by structural relationships and age dating. Stratigraphically overlying the lower portion are felsic volcanic tuff, lapilli tuff, coarse to very coarse breccia and quartz-feldspar crystal tuff plus interbedded sedimentary units derived from these felsic units.

Numerous stocks of trondhjemite to nepheline-cancrinite syenite composition intrude the Michipicoten greenstone belt along its north margin. Most of these intrusive bodies exhibit massive, equigranular to porphyritic textures. Many are clearly younger than the volcanic and sedimentary rocks they intrude as well as the period(s) of structural deformation.

The Michipicoten greenstone belt underwent a complex structural history. First, it was folded about E/W axes into recumbent folds. This event was accompanied by dip-slip and strike- slip thrusting along or parallel to lithological boundaries. A second folding episode produced upright folds about NW axes. High angle reverse thrust faults parallel to NW axes created repetitions in stratigraphy **(Figure 8)**. Many of the NW axes are diabase filled. The final fold phase resulted from granitic emplacement.

Local

The most recent geological data for Lalibert and Menzies Townships are the result of geological mapping by Sage (1993) for Lalibert and by Vaillancourt (2005) for Menzies. Both townships are underlain principally by the supracrustal volcanic rocks of the Wawa and Catfish assemblages plus the sedimentary rocks associated therewith **(Figure 7 & 9)**. These are centred about the McCormick Lake synclinal axis which crosses the townships from NW to SE. Rocks of the Catfish assemblage are in the centre of the syncline, and are flanked by those of the Wawa assemblage.

Several stocks and dykes from felsic to mafic composition are intruded into these volcanic and sedimentary rocks. An elongate, 1 km x 10 km gabbro intrusion lies along the eastern contact between the lower and upper portions of the Catfish assemblage. In Lalibert Township two syenite stocks, the Dickenson Lake stock and a small body possibly coeval with the Dickenson Lake stock and centred upon McCormick Lake, intrude the felsic rocks of the Catfish assemblage. A small portion of a granodiorite intrusion that borders the Michipicoten greenstone belt occurs in the southwest corner of Menzies Township. Diabase dykes oriented NE/SW and NW/SE crisscross the townships, and are considered to be a conjugate set. A highly magnetic, younger NE trending dyke of the Abitibi dyke swarm crosses through the central part of Lalibert Township. Numerous mafic dykes mapped as xenolith bearing lamprophyres occur throughout the area. Dykes are normally thin (less than 5 m thick), and are characterized by round to elliptical inclusions of actinolite or actinolite plus talc. The original discovery of diamonds in bedrock, the Sandor occurrence, was from one such dyke located along Highway 17 ~2.4 km north of the Lalibert / Menzies boundary.

Property

Rocks of the Catfish assemblage dominate the bedrock geology of the property. The property centre line more or less follows the east contact between the lower and upper units of the assemblage for ~15 km in a NW/SE direction **(Figures 7 & 9)**. Thin, discontinuous felsic volcanic lenses occur near the top of the lower portion of the assemblage. West of McCormick Lake, only an approximate 3 km length of the western contact lies within the property limits.

Numerous xenolith bearing spessartite lamprophyre dykes (Sage, 2000) occur on the property. Of the 260 samples collected and subjected to caustic fusion digestion for diamond recovery, the majority have been from dykes of this nature. As displayed in **Figure 10**, the dykes are widespread across the property. Many others have been noted but not as yet sampled. The dykes are extremely variable. Widths may exceed 30 m, (Burns, 2002b) but normally are <5 m. Strike directions, where mappable, are random although Thomas (1998) noted a northwest bias. The matrix may be either actinolite or biotite rich (60 to 85% actinolite / 15 to 40 % biotite for actinolite rich dykes and 25 % each of quartz, albite, plagioclase & biotite for biotite rich dykes). Inclusions that may be present in the dykes include ultramafic actinolite ± talc xenoliths of possible mantle derivation, xenoliths of gneiss from a crustal origin and fragments from a near surface or country rock source. The actinolite ± talc xenoliths are normally round to elliptical, vary to 1 m diameter although most are generally less than 30 cm, may display randomly oriented or inward radiating actinolite crystal, and may or may not have biotite rinds up to 5 cm thick. Most crustal xenoliths are sub angular to sub rounded, less than 30 cm maximum dimension, but may be as large as 1 m, possess millimetre thin rinds or no rinds at all. Most country rock fragments are angular to sub angular, less than 7 cm in size, and most commonly of felsic volcanic rock.

An age date for a sample from the Sandor occurrence collected by the OGS yielded an age of 2,703 ± 42 Ma (Sage, 2000). More recent dates obtained by Ayer et al. (2003) give ages for diamondiferous lamprophyre dykes of ~2685. Since the age date of 2,701 +/- 2.1 Ma has been obtained for a sample of dacite from the upper portion of the Catfish assemblage, then the dykes were probably intruded at or near the contact between the upper and lower portions of the assemblage.

The xenolith bearing dykes are intimately associated with heterolithic volcanic breccia, lapilli tuff and ash tuff units that occur as discrete 100 m x 500 m volcanic complexes (hereinafter referred to as **“sandorite volcanic complexes”**. Three facies are recognized comprising the complexes - **1)** hypabyssal facies, **2)** sub-volcanic breccia facies and **3)** heterolithic breccia volcanic facies. The relationship of the facies to one another and to the regional volcanic stratigraphy are shown schematically in **Figure 11**. The sandorite dykes, as previously described, constitute the **hypabyssal facies**.

Units of the **sub-volcanic intrusive breccia facies** tend to be narrow with their orientations controlled by fractures in the country rock. They have an actinolite matrix with variable proportions of mica micro-phenocrysts and albite and absent to minor parkasite amphibole needles. Set within the matrix are a mixture of country rock fragments plus mantle and crustal xenoliths, and all may have rinds of variable thicknesses. Xenoliths and fragments may be entirely matrix supported to almost totally clast supported.

The matrix to the **volcanic facies** is massive actinolite with mica phenocrysts which are sometimes chloritized. Significant and variable proportions and types of metamorphic pseudomorphs (round to angular aggregates of amphibole and mica) may also be present. This facies has the highest proportion of country rock fragments including rhyolite fragments which typically are only present in this facies. Fragments are typically matrix supported, and may be angular to rounded. Shape implies distance of transport (rounder = further). Mica rich rinds to the fragments are rare. Layering is common with coarse, possibly clast supported breccia at the base and grading to lapilli tuff units and then to ash tuff units at the top. Crustal and ultramafic xenoliths are rare to minor.

Stratigraphic relationships between the volcanic complex units and the enclosing regional volcanic rock sequence, as well as a limited amount of age dating, indicate that these sandorite volcanic complexes were emplaced contemporaneously with the regional volcanic rocks which they cross cut. However, the complexes have a deep source and are not associated with nor a part of the regional volcanic rocks which have a crustal, shallower source. Most of the complexes so far identified occur at or near the contact between the lower predominately mafic portion, and the upper predominately felsic units of the regional volcanic stratigraphy. In contrast, the dykes are found cutting all levels of the regional volcanic stratigraphy.

DEPOSIT TYPES

Past exploration efforts by others for gold, iron and base metals either on the property or in the immediate area have been futile. Accordingly, diamonds are the only commodity of interest to KWG / Spider on their Wawa property.

Most bedrock diamond deposits (placer deposits are not considered herein) occur as pipe or carrot like intrusions in kimberlite, lamproite or related ultramafic rock types. Of primary importance in understanding such deposits is the recognition that although these rocks are the primary source rocks for diamonds, diamonds do not originate in these rocks. Rather they are the transportation medium by which diamonds are brought to surface (Helmsteadt & Gurney, 1995). In addition, various and extensive research on diamonds and their host rocks reveal the following (summarized from Kirkley, Gurney & Levinson, 1992).

- Diamonds are old and have been forming throughout most of the earth's history.
- Diamonds may be stored deep within the earth for extended periods of time.
- Within their host rocks diamonds are associated with two types of xenoliths - eclogite and peridotite. (Xenoliths are wall rock fragments that were incorporated into the host rock during its rise to surface.)
- Eclogite and peridotite are both formed deep within the earth. Diamonds associated with these two rock types are referred to as E-type and P-type respectively.
- P-type diamonds formed and remained stable at temperatures of 900ºC to 1300ºC and at depths of 150 to 200 km.
- E-type diamonds formed and remained stable at depths >300 km.
- Although kimberlites are scattered throughout the world, economic diamond bearing kimberlites are restricted to ancient cratons ie. extensive, stable continental areas such as the Canadian Shield.
- Diamond bearing lamproites may be found on the margins of cratons in so called "mobile Belts".
- Kimberlites and related ultramafic rocks have been emplaced over a very long (at least 2.60 Ga) time period.
- A suite of indicator minerals (pyrope garnets, chrome diopside, chromite, ilmenite) is

normally associated with kimberlite and related ultramafic rocks. Moreover, the chemistry of the individual minerals can be indicative of whether or not such an intrusion is diamondiferous.

- Kimberlite and related ultra mafic rocks generally occur in clusters.

As shown in **Figure 12,** a diamond bearing body will have originated deep in the earth beneath an ancient craton and passed through a region in the root of the craton where diamonds are stable. Depending upon the exact locale where the body originated it may sample and bring to surface P-type or E-type diamonds. In addition, the rate of ascent to surface of the body must be rapid to prevent the diamonds from reverting to graphite or dissolving in the host magma. Realistic emplacements rates are, based on various assumptions, 10 to 30 km/hr from depth of origin to within 2 to 3 km of surface where the rate increases dramatically to probably several 100 km/hr due to a much reduced retaining load and increased fracture density.

The diamond occurrences at Wawa do not fit any commonly accepted geological model. Dissimilarities include the following.

a) The diamond bearing host rocks are Archean in age. As such these diamond occurrences are amongst the oldest known.

b) The host rocks are intruded into an area of active volcanism. Such regions are not found on stable cratons, but rather on the flanks thereto.

c) The volcanic complexes so far identified in the Wawa area occur in 4 parallel corridors.

d) Rocks similar to those of the sandorite volcanic complexes had not been known previously to be diamond bearing.

e) None of the facies that comprise the complexes contain indicator minerals commonly associated with other rock types that are diamond bearing.

An early proposed model **(Figure 11)** for the diamondiferous complexes in the Wawa area and to their present geometry is as follows.

- The sandorite dykes originated in the mantle of the earth and early in their rise to surface passed through the diamond stability field below an ancient craton at which time diamonds were incorporated into the dyke forming magma.
- To reach surface the dykes followed a “plumbing system” of interconnected fractures into the off craton mobile belt similar to that shown for the lamproite in **Figure 12**.
- Each dyke erupted to form a maar type volcano. Such volcanos are believed to have resulted from a single violent explosion as the rising magma encountered the water table.

Maar craters are normally flat floored and relatively shallow. Craters walls are largely composed of broken country rock and only partially of magmatic ejecta. A crater of this type is consistent with the observed textures for the volcanic facies and subvolcanic facies units as well as lamproites.

- During the rise to surface crustal xenoliths and country rock fragments from the walls of the fractures being followed were incorporated into the dykes. Age date evidence infer that the sandorite volcanic complexes were emplaced at or near the top of the lower mafic volcanic units of the Catfish assemblage. The presence of numerous felsic country rock fragments in the hypabyssal facies is explained by the occurrence of felsic lenses near the top of the mafic portion of the assemblage.
- The Michipicoten greenstone belt was folded about east / west axes into recumbent folds. As a result of this folding (and of course erosion) the volcanic complexes were rotated through ± 90º, and are now exposed at surface. East of the McCormick Lake synclinal axis the volcanic facies rocks face west, and are underlain by the subvolcanic and hypabyssal facies to the east.
- Thrust faults associated with an upright folding event sliced the belt to create repetitions in the stratigraphy. This structural feature explains the alignment of the known volcanic complexes into "corridors".

Recent research by Williams (2002) and others has revealed that:

! The lamprophyres in the Wawa area originated at a depth of less than 80 km.

! The diamondiferous lamprophyres have been contaminated probably by an ultramafic komatiite.

! The chemistry of the diamondiferous lamprophyres indicate that they did not pass through the mantle diamond stability field.

! Diamonds can form metastably at shallow depths under a very high rate of strain and an anisotropic stress regime.

Based upon the above, Williams proposed a model whereby the diamonds formed metastably in a komatiite or other host that was down faulted to a suitable depth of combined pressure and temperature. These diamond bearing rocks were then brought closer to surface along reactivated reverse thrust faults. Ascending lamprophyric magma then passed through and was contaminated by the diamondiferous komatiite.

For both the original model and the Williams' model the magma must rise quickly to preserve the diamonds, that is to prevent the diamonds from reacting with the magma. For both models, once the magma approached surface and encountered the water table the reaction would be a violent volcanic like eruption. Breccia facies rocks would be produced from the force of the eruption. Magma that flowed into or injected into fractures opened by the force of the explosion would produce dykes.

MINERALIZATION

Each facie of a sandorite volcanic complex may be diamond bearing. Since 1995 a total of 260 prospecting samples, the majority weighing on average 25 to 35 kg, have been collected on or in the vicinity of the current property and subjected to caustic soda dissolution for diamond recovery (Thomas, 1998 and Burns 2001, 2002a & 2002b 2004 and 2005). Sample locations for both diamond bearing and non diamond bearing samples are shown on **Figure 10**. From these prospecting samples a total of 3422 diamonds, (2842 micros, 546 macros & 34 commercial), have been recovered **(Table 2)**. At least one diamond was recovered from 103 individual samples (78 samples produced more than 1 diamond) from 37 distinct locations on the property. Commercial size diamonds were recovered from the ~1.5 to 2.7 tonne mini bulk samples collected and processed in 2001 and 2002 **(Table 3A & C)**.

Diamond bearing sample sites are scattered about the property, but three distinct districts -

TABLE 2
Summary of Diamonds Recovered from Prospecting Samples 1995 - 2004

Sample Site Location	Sample #	Sample Site #	Weight processed	Micro-diamonds	Macro-diamonds	Com-mercial	Total Dia.	Dia. Per 15 kg *	Easting**	Northing**
Sandor Occurrence (SO)	95-HM-01	1	18.1	5	1	0		5	659805	5341968
"	96-LAL-1	3	31.6	8	2	0		5	"	"
"	96-LAL-2	5	36.0	48	6	0		23	"	"
"	96-LAL-5		19.9	0	0	0		0	"	"
"	96-LAL-8	12	33.3	3	0	0		1	"	"
"	97-LAL-200S	90	169.9	18	3	0		2	"	"
			308.8	82	12	0	94	**5**		
5.0 km NW of SO	95-HM-102	2	17.8	1	0	0	1	**1**		
0.13 km NW of SO (Sandor S)	96-LAL-3	7	34.6	1	0	0	1	**0**		
1.0 km S of SO (Sandor N-1)	96-LAL-103	16	30.8	3	0	0		1	660060	5341841
"	97-LAL-203	92	163.6	0	0	0		0	"	"
			194.4	3	0	0	3	**0**		
4.76 km NW of SO (Sandor N-2)	96-LAL-126	39	27.3	0	1	0		0	657193	5345744
"	97-LAL-226	100	181.0	0	0	0		0	"	"
			208.3	0	1	0	1	**0**		
3.90 km SE of SO (Menzies N)	96-MEN-107	20	28.3	6	2	0		4	660971	5338348
"	97-MEN-207	94	164.7	80	15	0		9	"	"
"	MEN-1-2001	126	46.7	23	4	1		9	"	"
			239.7	109	21	1	131	**8**		
4.10 km SSE of SO (Menzies S)	96-MEN-106	19	27.9	1	1	0		1	661108	5338256
"	97-MEN-206	93	157.3	0	0	0		0	"	"
			185.2	1	1	0	2	**0**		
3.5 km WNW of SO (McCormick L.)	97-LAL-161	70	64.7	5	4	0		2	655906	5342652
"	97-LAL-162	71	50.8	0	0	0		0	"	"
"	97-LAL-163	72	54.4	1	0	0		0	"	"
			179.9	6	4	0	10	**1**		
3.7 km WNW of SO (McCormick L.)	96-LAL-116	29	25.3	0	0	0		0	656417	5343087
"	97-LAL-216	95	50.6	14	1	0		4	"	"
			75.9	14	1	0	15	**3**		
3.7 km W of SO (McCormick L -s)	LAL-1-2001	101	15.0	2	0	0	2	**2**	656185	5341379
0.15 km SW of SO	LAL-3-2001	103	15.0	1	0	0	1	**1**	659738	5341756
0.3 km NW of SO	LAL-11-2001	111	15.0	2	0	0	2	**2**	659678	5342045
3.0 km NW of SO	LAL-12-2001	112	27.0	28	1	1		17	658176	5344250

TABLE 2
Summary of Diamonds Recovered from Prospecting Samples 1995 - 2004

Sample Site Location	Sample #	Sample Site #	Weight processed	Micro-diamonds	Macro-diamonds	Com-mercial	Total Dia.	Dia. Per 15 kg *	Easting**	Northing**
"	2002-LAL-136	136	15.0	2	2	0		4	658093	5344396
"	2002-LAL-157	157	15.0	40	3	1		44	658056	5344438
"	2002-LAL-158	158	15.0	47	1	0		48	657901	5344432
			72.0	117	7	2	126	**26**		
2.5 km WSW of SO	LAL-14-2001	114	15.0	1	0	0	1	**1**	657384	5341263
1.1 km E of SO	LAL-16-2001	116	15.0	1	0	0	1	**1**	661009	5341984
75 m E of SO	LAL-17-2001	117	20.5	10	2	0		9	659935	5341811
"	LAL-18-2001	118	43.3	9	4	0		0	"	"
"	LAL-19-2001	119	35.8	13	2	0		6	659960	5341819
			99.6	32	8	0	40	**6**		
0.5 km E of SO	LAL-21-2001	121	27.5	17	3	0		11	660329	5342075
"	LAL-22-2001	122	28.4	7	1	0		4	660294	5342119
"	LAL-23-2001	123	15.0	3	0	0		3	660331	5342110
"	2002-LAL-145	145	15.0	1	0	0		1	660344	5342068
"	2002-LAL-146	146	15.0	28	6	1		35	660348	5342092
			100.9	56	10	1	67	**10**		
150 m N of SO	LAL-24-2001	124	15.0	1	0	0		1	659845	5341914
"	LAL-25-2001	125	15.0	1	0	0		1	"	"
			30.0	2	0	0	2	**1**		
4.0 km SSE of SO (Menzies N-1)	MEN-7-2001	132	15.0	13	0	0	13	**13**	660990	5338477
0.5 km E of Menzies N	MEN-8-2001	133	14.7	1	0	0		1	661386	5338407
"	2002-MEN-166	166	15.0	3	2	0		5	661434	5338353
"	2002-MEN-167	167	15.0	37	22	0		59	661394	5338436
"	2004-MEN-211	211	10.0	0	0	0		0	661347	5338460
"	2004-MEN-212	212	10.0	2	0	0		3	661357	5338462
"	2004-MEN-213	213	10.0	0	0	0		0	661355	5338455
"	2004-MEN-214	214	10.0	0	0	0		0	6612362	5338441
"	2004-MEN-215	215	10.0	3	1	0		6	661365	5338444
"	2004-MEN-216	216	10.0	0	0	0		0	661396	5338438
"	2004-MEN-217	217	10.0	1	0	0		2	661389	5338429
"	2004-MEN-218	218	10.0	0	0	0		0	661398	5338425
"	2004-MEN-219	219	10.0	0	0	0		0	661416	5338453
"	2004-MEN-220	220	10.0	0	0	0		0	661394	5338406
"	2004-MEN-239	239	10.0	0	0	0		0		
"	2004-MEN-240	240	10.0	0	0	0		0		
"	2004-MEN-241	241	10.0	0	0	0		0		
"	2004-MEN-242	242	10.0	0	0	0		0		
"	2004-MEN-243	243	10.0	0	0	0		0		
"	2004-MEN-244	244	10.0	0	0	0		0		

TABLE 2

Summary of Diamonds Recovered from Prospecting Samples 1995 - 2004

Sample Site Location	Sample #	Sample Site #	Weight processed	Micro-diamonds	Macro-diamonds	Com-mercial	Total Dia.	Dia. Per 15 kg *	Easting**	Northing**
"	2004-MEN-245	245	10.0	0	0	0		0		
"	2004-MEN-246	246	10.0	0	0	0		0		
"	2004-MEN-247	247	10.0	0	0	0		0		
"	2004-MEN-248	248	10.0	0	0	0		0		
"	2004-MEN-249	249	10.0	0	0	0		0		
"	2004-MEN-260	260	10.0	0	0	0		0		
			264.7	47	25	0	72	**4**		
100 m E of Menzies N	2002-MEN-137	137	15.0	6	2	0	8	**8**	661007	5338320
700 m NE of SO	2002-LAL-139	139	15.0	9	0	0		9	660256	5342302
"	2002-LAL-140	140	15.0	1	1	0		2	660255	5342275
"	2002-LAL-142	142	15.0	1	0	0		1	660235	5342391
"	2002-LAL-144	144	15.0	37	2	0		39	660267	5342390
"	2002-LAL-190	190	15.0	1	0	0		1	660233	5342396
"	2002-LAL-191	191	15.0	12	1	0		13	660253	5342395
			90.0	61	4	0	65	**24**		
3.0 km NW of SO	2002-LAL-148	148	15.0	10	1	0	11	**11**	658125	5344333
1.1 km W of SO	2002-LAL-153	153	15.0	19	0	0		19	658736	5341682
"	2002-LAL-168	168	15.0	1	0	0		1	658724	5341791
			30.0	20	0	0	20	**10**		
0.75 km SE of SO	2002-LAL-172	172	15.0	3	0	0		3	660605	5341577
"	2002-LAL-173	173	15.0	9	0	0		9	660605	5341587
"	2002-LAL-174	174	15.0	17	0	0		17	660658	5341609
			45.0	29	0	0	29	**10**		
3.75 km NW of SO	2002-LAL-176	176	15.0	1	0	0		1	656471	5343567
"	2002-LAL-177	177	15.0	1	0	0		1	656467	5343615
			30.0	2	0	0	2	**1**		
1 km NE of MEN-107	2002-MEN-162	162	15.0	14	1	0	15	**15**	6619191	5338743
1.6km S of SO	2002-LAL-170	170	10.2	5	0	0	5	**7**	659836	5340200
3.0 km NW of SO	2002-LAL-178	178	15.0	1	1	0	2	**2**	657672	5343946
1.6 km NNW of SO	2002-LAL-156	156	15.0	210	5	0		215	659506	5343420
"	2004-LAL-196	196	10.0	0	0	0		0	659557	5343345
"	2004-LAL-221	221	10.0	17	3	1		32		
"	2004-LAL-222	222	10.0	14	3	0		26		
"	2004-LAL-223	223	10.0	27	8	2		56		
"	2004-LAL-224	224	10.0	3	1	0		6		
"	2004-LAL-225	225	10.0	17	3	0		30		

TABLE 2

Summary of Diamonds Recovered from Prospecting Samples 1995 - 2004

Sample Site Location	Sample #	Sample Site #	Weight processed	Micro-diamonds	Macro-diamonds	Com-mercial	Total Dia.	Dia. Per 15 kg *	Easting**	Northing**
"	2004-LAL-226	226	10.0	12	4	0		24		
"	2004-LAL-227	227	10.0	11	5	0		24		
"	2004-LAL-228	228	10.0	9	3	0		18		
"	2004-LAL-229	229	10.0	0	3	0		5		
"	2004-LAL-230	230	10.0	4	1	0		8		
"	2004-LAL-231	231	21.6	0	0	0		0		
"	2004-LAL-232	232	19.8	53	55	9		89		
"	2004-LAL-233	233	22.8	16	5	0		14		
"	2004-LAL-234	234	30.1	1351	267	14		813		
"	2004-LAL-235	235	22.6	32	11	1		29		
"	2004-LAL-236	236	10.0	166	10	0		264		
"	2004-LAL-237	237	10.0	17	1	0		27		
"	2004-LAL-238	238	10.0	9	4	0		20		
"	2004-LAL-250	250	10.0	30	11	2		65		
"	2004-LAL-251	251	10.0	3	2	0		8		
"	2004-LAL-252	252	10.0	7	4	0		17		
"	2004-LAL-253	253	10.0	14	5	0		29		
"	2004-LAL-254	254	10.0	9	1	0		25		
"	2004-LAL-255	255	10.0	1	0	0		2		
"	2004-LAL-256	256	10.0	0	1	0		2		
"	2004-LAL-257	257	10.0	25	9	1		53		
"	2004-LAL-258	258	10.0	28	2	0		45		
"	2004-LAL-259	259	10.0	6	0	0		9		
			372.0	2091	427	30	2920	**118**		
350m NW of MEN-107	2002-MEN-150	150	15.0	1	0	0		1	660874	5338640
"	2002-MEN-151	151	15.0	0	1	0		1	660843	5338577
			30.0	1	1	0	2	**1**		
700 m NE of MEN-107	2002-MEN-161	161	15.9	0	1	0	1	**1**	661612	5338660
2.75 km NW of SO	2002-LAL-185	185	15.0	63	1	0		64	658500	5344216
	2002-LAL-186	186	15.0	0	0	0		0	658468	5344134
	2004-LAL-208	208	10.0	1	0	0		2	658401	5344087
				64	1	0	65	**24**		
4.3 km NW of SO	2004-LAL-200	200	10.0	3	0	0		5	657566	5345633
"	2004-LAL-201	201	10.0	2	0	0		3	6575540	5345608
			20.0	5	0	0	5	**4**		
3.9 km NW of SO	2004-LAL-202	202	10.0	0	0	0	0	0	657904	5345162
"	2004-LAL-203	203	10.0	0	0	0	0	0	"	"
"	2004-LAL-204	204	10.0	3	3	0		9	657989	5345236
"	2004-LAL-205	205	10.0	7	3	0		15	"	"
"	2004-LAL-206	206	10.0	4	4	0		12	"	"
"	2004-LAL-207	207	10.0	1	0	0		2	"	"

TABLE 2

Summary of Diamonds Recovered from Prospecting Samples 1995 - 2004

Sample Site Location	Sample #	Sample Site #	Weight processed	Micro-diamonds	Macro-diamonds	Com-mercial	Total Dia.	Dia. Per 15 kg *	Easting**	Northing**
			60.0	15	10	0	25	**6**		
2.2 km NW of SO	2004-LAL-197	197	10.0	16	4	0		30	658851	5343814
"	2004-LAL-198	198	10.0	4	0	0		6	"	"
"	2004-LAL-209	209	10.0	7	2	0		14	659016	5343938
			30.0	27	6	0	33	**17**		
1.0 km NNW of SO	2004-LAL-199	199	10.0	0	1	0	1	**2**	659545	5342892
		Totals		**2842**	**546**	**34**	**3422**			

Notes:
* Total number of diamonds recovered (averaged for multiple samples from the same area) normalized to 15 kg.
** NAD 27 Datum

in an NW / SE trend from the Sandor occurrence, in north Menzies Township and near McCormick Lake - are recognized. The first district is coincident with the line of sandorite volcanic complexes or potential complexes immediately NE of and parallel to Highway 17 **(Figure 10)**. Diamond counts for sample sites with multiple samples may be extremely variable. At the Sandor occurrence, for example, results average 5 diamonds per 15 kg, but vary from 0 to 23 diamonds per 15 kg for individual samples **(Table 2)**. These results serve to emphasize the erratic distribution of diamonds within the host body (also termed the "nugget effect"). Based upon a histogram plot for the first 195 samples collected of diamonds recovered per sample, (all samples normalized to 15 kg (**Figure 13)**), a sample containing greater than 10 diamonds / 15 kg sample is considered to be anomalous.

Seven volcanic complexes have been identified on the property **(Figure 10)**. The first is located 650 m NE from the Sandor occurrence, and is hosted by mafic volcanic flows and pillowed lava. It has been sampled over an area 100 m E/W by 300 m N/S, but its limits are undefined. Volcanic facies coarse basal breccias, lapilli tuff and ash tuff, as well as hypabyssal dykes and subvolcanic breccia dykes were exposed by stripping and trenching in an area 80 m E/W x 100 m N/S. A diamond count of 39 stones (including 2 macros) was obtained from a 15 kg sample (2002-LAL-144) of volcanic facies lapilli tuff. The various volcanic facies are conformable with and grade into each other.

The second volcanic complex lies ~750 m ESE from the Sandor occurrence. This zone has not been thoroughly prospected, but volcanic facies coarse clast supported breccia, matrix supported breccia and lapilli tuff have been found within a 100 m diameter area as a result of initial cursory prospecting efforts.

The third complex lies 2.2 km NNW of the Sandor occurrence. Three samples were collected within 150 m of one another. Sample 2004-LAL-197 of a dyke with sparse xenoliths produced 20 diamonds, 2004-LAL-198 of a heterolithic breccia produced 4 and 2004-LAL-209 of heterolithic breccia boulders produced 9. The processed weight for all samples was 10 kg. This area has received only cursory prospecting, and has not been trenched or stripped.

The forth complex, represented by sample sites 185, 186 & 208, is situated approximately 2.75 km NE from the Sandor occurrence. Fifteen (15) kg splits for samples 2002-LAL-185 &

186 (of sandorite dyke) produced 64 and 0 diamonds respectively, while one diamond was recovered from a 10 kg split from sample 2004-LAL-208 (of heterolithic breccia). No trenching nor stripping have been conducted in this area.

The fifth complex is located 3.9 km NE of the Sandor occurrence. There, 10 kg splits of samples 2004-LAL-202 and 207 of heterolithic breccia produced 0 and 1 diamonds respectively whereas samples 2004-LAL-203, 204, 205 & 206 produced 0, 6, 10 & 8 diamonds from dyke material. This area has received only cursory prospecting, and has not been trenched or stripped.

Only two samples have been collected from the sixth area situated 4.3 km NW of the Sandor occurrence. Sample 2004-LAL-200 of heterolithic breccia and 201 of dyke produced 3 & 2 diamonds respectively from 10 kg splits. No trenching nor stripping have been conducted in this area.

A seventh area with volcanic facies rock units was found as a result of preliminary prospecting efforts ~500 m northwest of the northwest arm of McCormick Lake. Similar rocks, mapped by Sage as biotite intrusive rocks, outcrop over a 400 m to 500 m diameter area. This area is in a region of felsic volcanic rocks of the upper portion of the Catfish assemblage, thereby indicating that this volcanic complex is slightly younger than the others.

Some 1.6 km NNW of the Sandor occurrence an ultramafic xenolithic bearing dyke has been exposed by stripping and trenching over a 240 m strike length **(Figure 14)**. It strikes between 285° at the SE end to 320° at the NW, and dips from 35° to 55° northeasterly. It pinches and swells with a minimum horizontal thickness of 7 m and a maximum of 25 m. The estimated average thickness is 13 m (10 m true thickness). The proportion of ultramafic xenoliths within the dyke varies from 15% to 30%, and averages an estimated 20%. Of the 30 samples collected at this site 28 contained at least 1 diamond, 27 contained macro diamonds and 7 contained commercial diamonds. At this locale 3 sets of duplicate pairs, 2004-LAL-232 & 233, 234 & 235 and 236 & 237 - the first of xenoliths only and the second of matrix material - were collected and analysed for micro diamonds. In all 3 cases the majority of the diamonds were found in the xenolith samples **(Table 2)**. This fact suggests, at least for this dyke, that the xenoliths are the primary source of diamonds within the dyke. The presence of diamonds in the matrix may be due to a) the matrix itself being diamond bearing, b) disintegration of xenoliths into the matrix, or c) a combination of the above.

Complexes 1 through 6 plus the stripped / trenched area described above are aligned in a NW fashion generally parallel to stratigraphy and to the Princess Lake fault. The same trend continues southwestward towards the Moet, Mumm and Genesis complexes on the Pele Mountain property.

Commercial size diamonds were recovered from the ~1.5 to 2.7 tonne mini bulk samples SPQ-BK-2 and 3 collected in 2001 and SPQ-BK- 4 and 6 taken in 2002 **(Table 3A & C)**. The largest stone recovered to date measured 1.92 x 1.76 x 1.44 mm and weighed 0.0325 ct.

EXPLORATION

Since acquiring the property in 1996, five phases of exploration work have been conducted by KWG / Spider. Work was carried out under the auspices of Billiken Management Services Inc. who have a management contract with KWG / Spider to conduct exploration on the property. During **1996**, 39 large rock samples each weighing on average 25 to 30 kg were collected on the property from outcrops mapped as xenolith bearing lamprophyre dykes (field term sandorite - the host rock of the original discovery), and were submitted for diamond analysis by caustic fusion. Eight (8) samples contained at least one diamond and five (5) produced one or more macro diamonds. Thirty (30) smaller (300 g) samples collected simultaneously with the large samples were analysed for 48 elements by ICP and INAA methods. The dykes were found to be anomalous in Ni & Cr and enriched in Ba, Co, V, Ca & Mg, vis a vis similar lamprophyre rocks, but no geochemical difference could be determined between those samples that produced diamonds and those that didn't. A 150 -200 kg sample from the Sandor occurrence was processed for diamonds by auto-attrition and heavy mineral separation using a Wifly Table. No diamonds were recovered..

As part of the **1997** program, 59 large rock samples were collected and subjected to caustic fusion for diamond recovery. Sandorite was the usual lithology sampled, but some other rock types were also collected. Most samples averaged 25-30 kg in weight, but a few larger (155 to 181 kg) samples were also collected and processed. Diamonds were recovered from 5 samples including 4 with macro diamonds. None of the non sandorite samples produced diamonds.

TABLE 3 A

Summary of Diamonds Recovered From 2001 Mini Bulk Samples

Sample # / Weight (t)	Stone #	Phase	Weight mg	Weight ct	Colour	Clarity	Shape	Length mm	Width mm	Height mm	Surface
SPQ-BK-1	1	II	0.65	0.0033	White	Included	Octahedron	0.94	0.78	0.74	etched
2.41											
				0.0033*							
SPQ-BK-2	1	I	1.12	0.0056	Pink	Cloudy	Octahedron	1.16	1.14	0.86	etched
2.476	2	II	0.34	0.0017	White	Cloudy	Octahedron	0.68	0.54	0.46	etched
	3	II	0.89	0.0045	White	Cloudy	Broken Octahedron	1.02	0.96	0.60	striated
	4	II	0.70	0.0035	Colourless	Clear	Octahedron	0.80	0.76	0.74	etched
	5	II	0.65	0.0033	White	Cloudy	Fragment, Twinned Octahedron	0.94	0.74	0.66	etched
	6	II	0.51	0.0021	White	Included	Multi-cryst	1.16	0.90	0.40	rough
	7	II	0.68	0.0034	Green/Black	Opaque	Fragment, TTH **	0.84	0.70	0.56	pitted
	8	II	0.42	0.0021	Pink	Cloudy	Fragment	0.96	0.60	0.38	etched
				0.0262^							
SPQ-BK-3	1	I	6.49	0.0325	White	Cloudy	TTH *	1.92	1.76	1.44	etched
2.724	2	I	0.98	0.0049	White	Included	Fragment	1.20	0.98	0.84	etched
	3	I	0.59	0.0030	White	Included	Fragment	1.40	0.66	0.56	etched
	4	I	0.54	0.0027	White	Included	Fragment	1.18	0.90	0.64	etched
	5	I	0.56	0.0028	White	Included	Fragment	1.18	0.94	0.76	etched
	6	II	0.54	0.0027	Colourless	Clear	Stepped Face Tetrahedra	0.72	0.62	0.50	striated
	7	II	0.45	0.0023	Yellow	Clear	Fragment	0.90	0.70	0.48	striated
	8	II	0.71	0.0036	Colourless	Clear	Multi-cryst Aggregate	1.04	0.90	0.48	striated
	9	II	0.49	0.0025	Colourless	Clear	Fragment	0.84	0.72	0.60	smooth
	10	II	1.10	0.0055	Colourless	Clear	Fragment	1.32	1.10	0.64	striated
	11	II	0.58	0.0029	Yellow	Cloudy	Fragment	1.16	0.78	0.42	striated
				0.0654^^							

* = 0.0014 ct/t

** TTH = Trigonal Trisoctahedral

^ = 0.0106 ct/t

^^ = 0.0240 ct/t

Table 3 B

Mini Bulk Samples Comparative Results : Lakefield 50 kg Representative Samples vs Prospecting Samples

Sample #	Lakefield 50 kg Sample				Prospecting Samples				
	# Dia. Rec'd	Wt. Dia. Rec'd (ct)	# of Commercial Stones	Dimensions - Largest Stone (mm)	Sample #	Sample Wt (kg)	# Dia. Rec'd	Wt Dia. Rec'd (ct)	Dimensions - Largest Stone (mm)
SPQ-BK-4	115	0.188	0	0.63 x 0.57 x 0.40	LAL-21-2001	27.5	20	0.153	0.55 x 0.50 x 0.49
SPQ-BK-5	63	0.07	0	0.46 x 0.40 x 0.39	LAL-12-2001	27	30	0.28	1.57 x1 .02 x 0.66
SPQ-BK-6	102	0.088	0	0.48 x 0.37 x 0.11	2002-LAL-144	15	39	0.307	0.61 x 0.39 x 0.35
SPQ-BK-7	9	0.0078	0	0.29 x 0.20 x 0.13	2002- LAL-194	15	0	0	N/A

Table 3 C
2002 Mini Bulk Sample Results : Magnetic Separation Test Results

Sample #	Sample Wt (t)	Non Magnetic Concentrate : + 35 mesh (0.5 mm screen)					Non Magnetic Concentrate : + 16 mesh (1.18 mm)				
		Con. Wt (kg)	# Dia Rec'd	Wt. Dia Rec'd (ct)	# of Commercial Stones	Dimensions - Largest Stone(s) (mm)	Con. Wt. (kg)	# Dia. Rec'd	Wt. Dia. Rec'd (ct)	# of Commercial Stones	Dimensions - Largest Stone
SPQ-Bk-4	2.390	1.31	31	0.033	3	1.11 x 0.94 x 0.66	57.53	90	0.01	0	0.63 x 0.40 x 0.22
						1.03 x 0.77 x 0.61					
						1.11 x 0.46 x 0.33					
SPQ-BK-5	2.710	3.45	9	0.008	0	0.63 x 0.63 x 0.56	85.42	48	0.006	0	0.66 x 0.57 x 0.49
SPQ-BK-6	1.520	1.13	4	0.017	2	1.74 x 1.48 x 0.89	83.8	49	0.016	1	1.43 x 1.17 x 0.91
						1.23 x 0.91 x 0.68					
SPQ-BK-7	1.620	2.06	1	0	0	0.17 x 0.14 x 0.17	96.7	14	0.001	0	0.54 x 0.34 x 0.26

Table 3 D
SPQ-BK-4 : Attrition Milling Results

Sample Weight Processed (kg)	Magnetic Concentrate (+0.5 mm)				Non Magnetic Concentrate (+0.5 mm)			
	Concentrate Weight (kg)	# of Diamonds Recovered	Weight of Diamonds Recovered (ct)	# of Commercial Stones	Concentrate Weight (kg)	# of Diamonds Recovered	Weight of Diamond Recovered (ct)	# of Commercial Stones
1000	0.055	5	0.0016	0	33.92	63	0.0025	0

Forty-six (46) smaller (300 g) samples collected simultaneously with the large samples were analysed for 48 elements by ICP and INAA methods. As found previously, no geochemical difference could be determined between those samples that contained diamonds and those that didn't. Stripping / trenching & mapping were conducted at 11 of these sample sites. In addition, 365 large (15-25 kg) till samples were collected at a density of 1 sample per km^2 for heavy mineral analysis, and 365 smaller (250 gm) samples for geochemical analysis. Actinolite concentrations in the heavy mineral fraction of the till samples were found to correlated with areas of sandorite dykes.

In 1998 KWG/ Spider reduced the size of the property to its current 45 km^2.

The main elements of the **2001** exploration program included **a)** prospecting for sandorite dykes, and the collection of 35 large rock samples for treatment and diamond recovery by caustic fusion, **b)** the excavation of 3 mini bulk samples and the processing thereof by gravitational, magnetic and caustic fusion methods and **c)** the stripping (by hand and/or mechanical methods) and mapping of 2 restricted areas. Of the 35 large (25 to 35 kg) samples collected, 17 contained at least 1 diamond and 11 of those produced more than one, 7 contained one or more macro diamonds and one produced a commercial size stone. Commercial size diamonds were recovered from two of the three mini bulk samples - 3 from sample SPQ-BK-2 and 8 from sample SPQ-BK-3. The largest stone measured 1.92 mm x 1.76 mm x 1.44 mm and weighed 0.0325 ct. In addition several of the macro diamonds recovered were fragments which implies that the quantity of commercial stones is probably significantly greater. The stripping and mapping exercise successfully traced the extension of **1)** the PC occurrence from the Pele property onto the KWG / Spider ground and **2)** the Sandor occurrence an additional 75 m east from Highway 17.

The prospecting program was continued in **2002**, but this phase was focussed upon locating and sampling volcanic complexes similar to those from which Band-Ore and Pele had reported higher grade results. Three volcanic complexes were identified, and another 3 indicated. Boulders from another complex were noted in a glacial dispersion train near the SE property boundary. A total of 60 samples were collected from these sites and from sandorite dykes, and sent for diamond recovery by caustic fusion. Of these 60 samples, 30 contained at least 1 diamond, 20 produced more than one stone, 17 contained macro diamonds and 2 produced commercial size stones. The 215 diamonds including 5 macro diamonds obtained from a 15 kg split of sample 2002-LAL-156 was the highest diamond count attained to that date (all samples normalized to 15 kg).

Three, ~1.5 to 2.7 tonne, mini bulk samples (SPQ-BK-4, 5 & 6) were excavated from outcrops with known anomalous diamond counts in prospecting samples, whereas the fourth, SPQ-BK-7, was collected in close proximity to and from rock with similar textures and composition to SPQ-BK-6. All four were shipped to Lakefield Research for commercial and macro diamond recovery. Originally, the samples were to be processed in a DMS (dense media separation) plant, but those tests were aborted due to the excessive amount of concentrate produced, and were subsequently treated by magnetic separation. One sample, SPQ-BK-4, was further subjected to attrition milling to assess the effectiveness of the magnetic separation process. Commercial size diamonds were recovered from 2 of the 4 samples (SPQ-BK-4 & 6).

The **2004** exploration program consisted of **a)** continuing the prospecting program, **b)** stripping, washing and sampling two areas of anomalous diamond counts and **c)** taking 2 bulk samples of approximately 10 tonnes each. The prospecting sampling phase program was again focussed upon locating and sampling volcanic complexes. Heterolithic breccias plus sandorite dykes were identified at four new locales to bring the total recognized complexes on the property to seven **(Figure 10)**. The area about two sample sites # 156 & 167 (**Figure 10**), from which high diamond numbers had been recovered from samples collected in 2002, were extensively mechanically stripped and washed, and then mapped and sampled in detail. The 22 samples collected at site 167 failed to produce diamond counts of the order obtained from the previous sample. No explanation for the failure is apparent. By contrast, sampling results at site 156 were very positive. Of the 29 new samples collected only two, - that of a late stage dyke, and another of sandorite boulders, - contained no diamonds. Of the remaining 27 samples, 25 contained more than one diamond. Two 10 tonne bulk samples were extracted and shipped to SGS Lakefield for commercial diamond recovery in a DMS (dense media separation) pilot plant. A final report from Lakefield has not been received.

Results obtained to date from prospecting samples indicate the wide spread presence of diamond mineralization on the property, and that diamonds are present in both the heterolithic breccia and sandorite dyke rock phases. The recovery of commercial size diamonds from the mini bulk samples and from 10 or 15 kg splits of prospecting samples suggests that larger stones are present in these rocks. Prospecting has proven to be the most effective method to locate both the heterolithic and sandorite phases.

Recent test work by Spider / KWG indicates that the diamonds are preferentially located in the ultramafic xenoliths as opposed to the matrix. When collecting prospecting samples of sandorite dykes, care is taken to include both xenolith and matrix material, however the extent of the exposure may limit the material available for sampling. If the xenolithic material is under represented in a sample, then the diamond count for that sample may be low.

DRILLING

None of the diamond occurrences on the property have been drilled. All data collected on and all observations made for the property have been from surface exposures, either outcrops or limited stripped areas.

SAMPLING METHOD AND APPROACH

Prospecting Samples

During the 1996 and 1997 programs 98 prospecting grab samples were collected primarily from easily accessible outcrops indicated as xenolith bearing (hypabyssal) dykes on Sage's geological map of Lalibert Township and from road cuts in Menzies Township. Prospecting coverage to remoter parts of the property was extended in 2001, 2002 and 2004 along compassed traverse lines or base lines cut to facilitate access and control. Hypabyssal dykes similar to the host rock at the Sandor occurrence were again the targeted sample medium in 2001, whereas all facies of the sandorite volcanic complexes were the main focus for the 2002 & 2004 phases of work.

Each sample was placed in an individual woven plastic "rice bag", and assigned a unique number. Sample bags were numbered on both sides, a piece of flagging tape with the sample number was inserted into the bag, and the bags were sealed with either twine or tie wraps. Notes were recorded at the sample site as to the strike, dip and width of the sampled rock unit - if measurable, the presence, type, shape and quantity of xenoliths, and regional volcanic lithology. UTM coordinates of the site were taken with a hand held GPS (global positioning unit). For the 1996 and the more remote 1997 samples, material collected consisted of easily obtainable pieces broken from outcrops. At the more accessible 1997 sites along the roads, large chunks were broken out using a Pionjar drill and wedges, and then broken into smaller pieces (R. Thomas, pers. comm.). During the 2001, 2002 & 2004 programs, fist sized fragments of sample material were selected, if possible, from across the width / thickness of the unit being sampled, or from about as much of the exposure as practical. If possible, both matrix and xenolithic material were collected.

Rock units that comprise the various facies of sandorite volcanic complexes are easily distinguishable from the regional volcanic stratigraphy. As a result, prospecting has proven to be a cost effective method to locate and sample outcrops of potentially diamond bearing material. If, however, insufficient xenolithic material is included in the sample, the diamond count for the sample may be low.

Bulk Samples

Since diamonds are erratically distributed within their host rock the odds of recovering a larger, commercial size stone in a 10 to 15 kg sample are remote. Thus, in order to determine if a population of larger diamonds existed in the sandorite volcanic complex units, 7 mini bulk samples of ~1.5 to 2.7 tonnes each taken during the 2001 & 2002 programs were collected from known diamond bearing outcrops and sent for processing. Samples were excavated using a backhoe to extract broken pieces of rock (no blasting was undertaken), broken to manageable size either by machine or sledge hammers, placed into 4 or 5 heavy duty, 1 m^3, woven plastic bags per sample, numbered and secured. Care was taken to select material impartially from the entire width / thickness of the unit being sampled. Samples **SPQ-BK-1 to 5** were from outcrops of hypabyssal facies material while samples **SPQ-BK-6 & 7** were of volcanic facies lapilli tuff. Sample locations are shown on **Figure 10**. Results have been presented earlier in this report. Details re sample processing will be discussed in the section titled **Sample Preparation, Analysis and Security** that follows.

In October / November 2004, two (2) approximate 10 tonne samples, **SPQ-BK-08 and**

SPQ-BK-09, were taken from sample sites 2004-LAL-221 and 223 respectively. Sample locations are shown on **Figures 10 & 14**. A 3 m x 3 m area was laid out around each sample site, drilled to a depth of 0.5+ m, and blasted. The blasted material was then excavated by mechanical shovel, loaded into a Marooka truck, hauled to the access road, transferred onto a trailer, and hauled to Mining Essentials' property in Hawk Junction, Ontario. Security was in place 24 hours per day at the Hawk Junction facility. Each sample was processed through a 6" jaw crusher followed by a rolls crusher to produce a -6 mm product. This -6 mm product was collected in polly weave bags of ½ tonne capacity, tied with a security seal, and stored on site in a secure shed prior to shipment.

SAMPLE PREPARATION, ANALYSIS AND SECURITY

Prospecting Samples

All samples were securely stored prior to shipment to the laboratory. The 1996 samples were kept in a locked shed at the Manitoulin Transport depot in Wawa. In 1997, samples were stored in a tent behind the motel just south of the property where the sampling crew was staying, and watched over during the day by the owners (R. Thomas, pers. comm.). The large duplicate samples were shipped within a day of collection, and the remainder at the end of the program. All 2001 & 2002 samples were stored at a rented camp / cottage on Kabenung Lake, and were never left unattended. The 2004 samples were kept locked in the back of the Authors truck. After being palletized, samples were shipped to the laboratory via Manitoulin Transport Inc., a bonded trucking company.

All 98 samples from the 1996 and 1997 programs were processed at the Lakefield Research Ltd. laboratory in Lakefield, Ontario. The entire sample, which weighed from 12.6 to 181.0 kg was first crushed to -6 mm and then subjected to caustic fusion to produce a resistate mineral residue. Diamonds were hand picked from the residue, measured, weighed and described as to colour, clarity and morphology.

The 160 samples collected in 2001, 2002 & 2004 were submitted to the Kennecott Canada Exploration Inc. mineral processing laboratory in Thunder Bay, Ontario. There, each ~30 kg sample was crushed to -6 mm, reduced to 15 or 10 kg by an unbiased splitting procedure (note - in a few cases the entire sample was used), and digested by caustic fusion to produce a resistate mineral residue. Diamonds were hand picked from the residue, measured, weighed and described as to fragmentation, morphology, colour, clarity, colour intensity, inclusions/cleavages, resorption and surface features.

Security, sample preparation and analysis procedures followed in the four work programs were appropriate for prospecting samples. The jagged edges of the sample fragments tend to cut the rice bags, thus exposing the sample to potential tampering. As an additional precaution it is recommended that in future samples be shipped in plastic pails.

Bulk Samples

Immediately upon collection, mini bulk samples SPQ-BK-1 to 5 were transported to camp on Kabenung Lake for temporary, secure storage. Samples were never left unattended. At the end of the field program samples were trucked directly to the Manitoulin Transport Inc. (a bonded carrier) depot in Wawa, palletized and shipped to the laboratory. Samples SPQ-BK-6 & 7 were trucked directly from the field to the Manitoulin depot, palletized and shipped. The four 2002 samples were security sealed, whereas the 2001 samples were not. The two 10 tonne samples collected in 2004 were kept in secure storage at Mining Essentials facility in Hawk Junction, Ontario prior to shipment by Manitoulin Transport Inc.

The three 2001 mini bulk samples, **SPQ-BK-1, 2 & 3**, were processed at the SRC (Saskatchewan Research Council) laboratory in Saskatoon. Samples were first processed following SRC's standard methodology which is designed primarily to recover "commercial" size diamonds, and involves the following steps.

1) The entire sample is crushed to minus 12 mm, trommel washed and wet screened at ±8 mm, ±4 mm, ±2 mm and ±0.8 mm.
2) The +8 mm material is re-crushed to -8 mm and fed back into the circuit.
3) Screen fractions 0.85 to 2 mm, 2 to 4 mm and 4 to 8 mm are fed into separate surge bins that in turn feed into 3 separate jigs (Jigs 1, 2 & 3). Each jig is "tuned" to receive that particular size fraction such that heavy minerals / material with a SG > 3.2 are retained. Each tonne of sample is spiked with tracer minerals to ensure recoveries of 90% or better for all liberated diamonds.
4) The heavy mineral concentrate from each jig is dried and passed over a rare earth belt roll magnet to produce a non-magnetic concentrate.
5) The non-magnetic concentrate from each jig is subjected to caustic fusion.
6) The caustic fusion melt is screened through a 0.600 mm screen.
7) Material remaining on the 0.600 mm screen is treated with concentrated hydrochloric and

hydrofluoric acids to remove all traces of caustic, iron and other non diamond material.

8) All diamonds recovered are weighed, measured and described.

Recoveries for the 3 samples, as determined with tracer minerals, all exceeded the laboratory's 90% minimum requirement. The number of diamonds recovered by this standard methodology included **nil** from **SPQ-BK-1**, **one** from **SPQ-BK-2** and **five** from **SPQ-BK-3**. Weights, measurements and descriptions of all stones recovered in **Phase I** are summarized in **Table 3A**. Sample locations are shown in **Figure 10**.

For samples SPQ-BK-2 and SPQ-BK-3 diamonds were recovered from the caustic fusion residues of the non magnetic concentrate from Jig 1. In order to ensure the integrity of the methodology the magnetic fraction of the heavy mineral concentrates for all 3 sample were also fused. This action was the only digression to the standard SRC methodology during **Phase I**. No additional diamonds were recovered.

During processing it was noted that the sample material upon crushing tends to break two dimensionally, i.e. with 2 sides of the crushed material of much greater dimension than the third. As a result, a large proportion of the sample (>12% for sample SPQ-BK-3) required re-crushing to -8 mm. However, even after re-crushing to -8 mm, more than 5% (for samples SPQ-BK-1 and SPQ-BK-2) remained as oversize and thus were not processed. This same problem, 2 dimensional breaking, also resulted in a large portion (>20%) of sample being fed to Jig 3. Obviously then, the possibility existed that unrecovered diamonds remained in both the +8 mm oversize fraction and the +4 mm-8 mm Jig 3 material.

KWG / Spider also considered it important to recover macro diamonds from these samples. The +8 mm oversize fraction and the Jig 3 material were two obvious possible sources for these smaller stones. A third possible source was the -0.85 mm undersize fraction which represented >16% of the total sample. In total, some 41% to 56% of the sample material were not processed for macro diamonds.

In order to recover any diamonds from the oversize fraction and the Jig 3 material plus macro diamonds from the -0.85 mm undersize, a re-processing of residual materials **(Phase II)** from each of the bulk samples was undertaken. This involved the following:

1) All Jig 3 material (4 to 8 mm) and all oversize material (>8 mm) were dried and rolls crushed with the rolls gap set at 2 mm.

2) All rolls crushed material from (1) was combined with the 0.85 mm undersize and screened at ±0.85 mm and ±0.50 mm.
3) The -0.85+0.50 mm fraction was dried and passed over a rare earth belt roll magnet to produce a non magnetic concentrate.
4) The non magnetic concentrate from (3) was fused in caustic soda at 555ºC for 24 hours.
5) The fused caustic melt from (4) was screened at ±0.50 mm.
6) The +0.50 mm caustic residue was examined for diamonds.
7) Diamonds recovered were weighed, measured and described.

Weights, measurements and descriptions of all stones recovered in the Phase II process are summarized in **Table 3A**.

The four 2002 mini bulk samples (SPQ-BK-4 to 7) shipped to Lakefield Research were processed in the following manner:

S Preparation

- Upon receipt the samples were checked to ensure that the security seals on the individual shipping bags were intact.
- The samples were weighed.
- Each sample was jaw crushed to - 4", and then cone crushed to -6 mm in a closed circuit until 100% of the sample passed a -6 mm screen.
- A 50 kg split was taken from each sample for microdiamond analysis. Results are presented in **Table 3B**, and shown with the results for the corresponding prospecting samples from the same site. Results are variable, but generally of the same order of magnitude as for the prospecting samples.
- The remaining portion of each sample was wet screened at 0.5 and 1 mm. The -0.5 mm material was sent to a tailings pond, the -1 mm + 0.5 mm material was dewatered and dried for later magnetic separation, and the -6 mm +1 mm material was dewatered and kept for future processing.

S Dense Media Separation (DMS) Test

- The -6 mm +1 mm material for sample SPQ-BK-4 was fed into a 1 tonne per hour DMS plant with the cut off density set at 3.1 t/m^3. Diamonds, with a density of 3.5 t/m^3, would be concentrated in the heavy portion.
- After approximately one third of the sample had been processed the test was aborted as

the amount of concentrate produced (~30%) was considered excessive. The high proportion of concentrate was due to the high proportion of minerals in the sample with densities equal or greater than 3.1 t/m^3.

- The materials were recombined.

S Magnetic Separation Test

As an alternative to the DMS test, the four mini bulk samples were treated in a high intensity magnetic separator with the speed set to capture diamonds down to 0.5 mm in the non magnetic concentrate fraction.

- For each sample the -6 mm + 1 mm material was dried.
- The dried -6 mm +1 mm material was magnetically separated using a High Force Rare Earth Magnet Roll Separator.
- The magnetic concentrate was collected and stored.
- The non magnetic concentrate was subjected to caustic fusion and the diamonds picked from the residue, measured and weighed. Results are presented in **Table 3C** as the + 16 mesh non magnetic concentrate fraction. A commercial size stone was recovered from SPQ.-BK-6.
- Similarly, the -1 mm +0.5 mm material collected from the wet screening set in the sample preparation was magnetically separated. The resulting magnetic concentrate was collected and stored while the non magnetic concentrate was subjected to caustic fusion and the diamonds picked from the residue, measured and weighed. Results are presented in **Table 3C** as the + 35 mesh non magnetic concentrate fraction. Three commercial stones were recovered from SPQ-BK-4 and 2 from SPQ-BK-6.

S Attrition Milling

Sample SPQ-BK-4 was further subject to an attrition milling test to assess the degree to which diamond recovery could be improved if liberation was improved.

- A 1000 kg split from the +1 mm magnetic concentrate was loaded in 250 kg aliquots into a rubber lined scrubber charged with a light charge of 2.5" porcelain balls, and gently rolled until the bulk of the material passed through a 1 mm screen.
- The sample was screened at 0.5 mm screen, and the -0.5 mm material discarded.

- The +0.5 mm material was dried, and passed over the magnetic separator.
- The non magnetic concentrate was treated to heavy liquid separation from which diamonds were picked from the sink portion.
- The float portion from the heavy liquid separation plus the magnetic concentrate were submitted for caustic fusion, and diamonds picked from the residue. Results are shown in **Table 3D -** No additional commercial diamonds were recovered.

The two, ten tonne samples excavated in 2004 were shipped to the SGS Lakefield Research facility in Lakefield, Ontario for processing in a DMS pilot plant. The final report from Lakefield has not been received.

It is the Author's opinion that number and size of the bulk samples, sample security and sample preparation procedures have been appropriate for the present exploration stage of the property. The most suitable analytical procedure for treating the bulk samples has yet to be determined, but testing using modest size (2 to 10 tonne) samples is the appropriate approach.

DATA VERIFICATION

Prospecting Samples

The caustic fusion dissolution, residue preparation and diamond picking process is subject to rigorous internal quality control monitoring schemes at both the Lakefield and Kennecott laboratories. Recovery rates for each laboratory, based upon control samples, is 97%. To eliminate the possibility of cross sample contamination all equipment is thoroughly cleaned between samples.

Formal quality control procedures have not been established for the project. However, data sub sets may be used for data verification. First, as shown on **Figure 10** duplicate samples were taken at several sample sites either at the exact same site or nearby. Results are generally comparable. Discrepancies are in some cases attributable to the material sampled. Of the six samples from the Sandor occurrence, diamond counts ranged from 0 to 23 stones per 15 kg **(Table 2)**. Sample 1996-LAL-5, that produced zero diamonds, was a selected grab sample of matrix material only.

In 1997, eleven (11) larger, duplicate samples of clean fresh material that weighed between 50.6 and 181.0 kg (average 116 kg) were taken from selected outcrops, but at the same sites as the prospecting samples, to determine if the sites were contaminated during road construction, activities of previous exploration programs, etc. **Table 4** presents a comparison of results for the 11 prospecting samples versus the larger duplicate samples. For samples 96-LAL-1 and 96-MEN-107 that produced significant diamond counts, similar (but not exactly the same) results were obtained from the duplicate samples. The difference can be attributed to the erratic distribution of diamonds (nugget effect) in the host rock. No diamonds were recovered from the duplicate samples for prospecting samples 96-LAL-103, 96-MEN-106 & 96-LAL-126 from which 3, 2 & 1 diamonds were obtained. This contrast might be due to site contamination, laboratory contamination, nugget effect or a combination thereof. Since the stones recovered were not reported to be industrial diamonds (as would be used for industrial equipment), then either the nugget effect or laboratory contamination is suspected as the reason for the disagreement of results. For the six prospecting samples that contained no diamonds, results for five of the corresponding duplicates were identical. The sixth duplicate, 97-LAL-216, produced 14 diamonds. This duplicate was a composite sample of fragments of the dyke from all over the stripped exposure, whereas the original sample was taken from a limited exposure. As a consequence, the nugget effect is believed to be the cause for the difference in results.

Thirdly, the remaining sample material for the 7 samples from the 2001 work program that had produced macro diamonds was processed in 2002. Although diamonds were recovered from all 7 samples the ratio of diamonds obtained from the first 15 kg versus the remaining material varied from -25% to +82%. In addition, there is no correlation between the number of macro diamonds and the total number of diamonds recovered per sample **(Table 5)**. The variation is attributable to the erratic distribution of diamonds in the host rock.

Since the Author has been involved with the project for the past three work programs, is familiar with procedures and safeguards associated with sample collection, etc., and knowing that data sub sets could be used for data verification , the Author did not collect any samples for

TABLE 4

Comparison of Diamond Counts - Prospecting Samples vs Larger Duplicate Samples

Prospecting Samples					Duplicate Samples				
Sample #	Sample Wt. (kg)	Micro Dia.	Macro Dia.	Com-mercial	Sample #	Sample Wt. (kg)	Micro Dia.	Macro Dia.	Com-mercial
96-LAL-1	31.6	8	2	0	97-LAL-200S	169.9	18	3	0
96-LAL-102	23.0	0	0	0	97-LAL-202	155.3	0	0	0
96-LAL-103	30.8	3	0	0	97-LAL-203	163.6	0	0	0
96-MEN-106	27.9	1	1	0	97-LAL-206*	157.3	0	0	0
96-MEN-107	28.3	6	2	0	97-MEN-207	164.7	81	14	0
96-LAL-116	25.3	0	0	0	97-LAL-216	50.6	14	1	0
96-LAL-117	27.1	0	0	0	97-LAL-217	57.2	0	0	0
96-LAL-118	20.9	0	0	0	97-LAL-218	55.6	0	0	0
96-LAL-120	25.8	0	0	0	97-LAL-220	56.5	0	0	0
96-LAL-121	30.0	0	0	0	97-LAL-221	66.2	0	0	0
96-LAL126	27.3	0	1	0	97-LAL-226	181.0	0	0	0

* Sample is actually in Menzies Township

TABLE 5

2001 Samples - Comparison of Results Between the First and Second Analysis

Sample #	Total Diamonds per Sample							Number of Diamonds >0.5 mm				>0.5 / Total Dia
	First Analysis		Second Analysis				Total Dia.	1st Analysis	Second Analysis		Total >0.5	
	Wt. - kg	# Dia.	Wt. - kg	# Dia.	# / 15 kg	% Change		# Dia.	# Dia.	# / 15 kg		
LAL-12-2001	15	13	12	17	16.7	28.5	30	2	0	0.0	2	0.07
LAL-17-2001	15	9	5.5	3	8.8	-0.2	12	1	2	5.5	3	0.25
LAL-18-2001	15	6	28.3	7	4.5	-25.0	13	3	1	0.5	4	0.31
LAL-19-2001	15	7	20.8	8	6.3	-10.0	15	2	0	0.0	2	0.13
LAL-21-2001	15	6	12.5	14	10.9	81.7	20	1	2	2.4	3	0.15
LAL-22-2001	15	4	13.4	4	4.2	5.0	8	1	0	0.0	1	0.13
MEN-1-2001	15	9	31.7	19	9.0	0.0	28	3	2	0.9	5	0.18

independent diamond analysis for data corroboration, but relied solely upon the results for the five work programs. The fact that diamonds have been recovered from samples submitted to two independent ISO certified laboratories verifies the presence of diamonds on the property. Results for duplicate samples from the same sample site may vary, but discrepancies are attributable to the nugget effect, ie. the erratic distribution of diamonds within the host rock.

After reviewing the project procedures the Author hereby recommends that an 8 kg split check sample for every 10th sample be submitted to a second laboratory.

Bulk Samples

Procedures at both SRC and Lakefield are monitored internally to ensure that recoveries of better than 90% are attained. The recovery of diamonds from the bulk samples corroborates the presence of diamonds in the prospecting samples.

ADJACENT PROPERTIES

The recommended work program is based upon results obtained to date from exploration efforts by KWG / Spider on their 45 km^2 Wawa property. All references in this report to diamond bearing samples are for samples collected from the property.

MINERAL PROCESSING AND METALLURGICAL TESTING

Mineral processing and metallurgical testing performed thus far have been the processing of the ~1.5 to 2.7 tonne mini bulk samples SPQ.-BK-1 to 7 to determine the presence of commercial size diamonds. Descriptions of the tests undertaken on samples as well as results of those tests have been described elsewhere in this report. Two additional bulk samples, SPQ.-BK-8 & 9 each weighing approximately 10 tonnes, have also been processed. The final report that describes procedures and results has not been received.

OTHER RELEVANT DATA AND INFORMATION

All relevant data and information obtained from previous exploration work programs is included in this report.

INTERPRETATION AND CONCLUSIONS

The objectives of KWG's / Spider's exploration programs have been successfully achieved. Diamonds have been recovered from 103 samples collected from 37 sites on the property. The presence of commercial size diamonds has been confirmed. Sandorite volcanic complexes, areas of heterolithic breccia plus sandorite dykes, have been located. Six of these complexes plus a large diamondiferous dyke are aligned in a NW / SE direction to the north of Highway 17 which suggests that this region is possibly more prospective than other areas of the property. Four other potential complexes have been located elsewhere on the property. Prospecting has proven to be an efficient, cost effective method by which to locate volcanic complex facies units.

The diamond occurrences on the property are, at ~2.685 Ga, the oldest known. They do not fit any current exploration model. The diamond bearing dykes and heterolithic breccia may have originated in the mantle, passed through the diamond stability field, and been emplaced into a region of active volcanism through an intricate network of fractures similar to that proposed for a lamproite intrusive. Another proposed model is that the diamonds were formed metastably at shallower depth under high stress in fault zones from a komatiitic ultramafic rock, and later brought to surface by the lamprophyre dykes. In either case, once the magma encountered the water table the volcanic complex erupted in a maar like explosion onto the mafic volcanic rocks of the lower portion of the Catfish assemblage. The complex was subsequently buried by the felsic units of the assemblage. A regional recumbent folding event has resulted in the volcanic complexes to be turned on edge such that east of the McCormick Lake synclinal axis the volcanic facies face west with the subvolcanic facies and hypabyssal facies lying to the east. Thrust faults associated with a later upright folding event has sliced the stratigraphy and caused repetition of units. As a result, the horizon at which the volcanic complexes were deposited are repeated within the exposed stratigraphy.

Processing of 10 or 15 kg sample weights of crushed, homogenized and unbiasedly split samples has proven effective to identify diamond bearing outcrops. In the heterolithic volcanic facies, the highest quantities of diamonds appear to be associated with the lapilli tuff units. The sandorite may or may not be diamond bearing. Recent work suggests that the diamonds are more prevalent in the ultramafic xenoliths. However, since diamonds are unevenly distributed both in quantity and in size within their host rocks, and since exploration on the property is still at an early stage, all facies need to be thoroughly tested in order to be able to confidently predict which units have the most economic potential. The presence of commercial size diamonds in both the prospecting and 1.5 to 2.7 mini bulk samples from the property, and which are required for an economic deposit, has been demonstrated.

The geological environment underlying the property is considered to be highly prospective for one or more diamond deposits.

RECOMMENDATIONS

Results from recent exploration efforts on the KWG / Spider Wawa property are significant and encouraging. Continued exploration is highly recommended. The two phased work program detailed below is designed to advance the knowledge of the property to a point at which its economic potential may be more confidently assessed.

Systematic prospecting of the property is to be completed. Priority is to be given to collecting prospecting samples from the volcanic facies of the complexes and to dykes containing a significant proportion of ultramafic actinolite - talc xenoliths

Control grids are to be established over each volcanic complex. These 1 km x 1 km grids are to be used for detailed prospecting, mapping and sampling purposes along and between the lines. The various facies of the volcanic complex are to be mapped and sampled in detail in order to determine the size and geometry of the complex and the extent of the diamond mineralization.

Based upon the results for the prospecting samples, the volcanic complexes are to be prioritized. Priority areas are to be stripped and mapped in detail at 1:200. The stripped areas are to be sampled in detail to determine anomalous concentrations of diamonds. From these areas 2½ tonne mini bulk samples are to be excavated, and then processed in a DMS facility for the recovery of commercial and macro diamonds.

The dyke exposed at site 156 is to be core drilled to determine the continuity of the dyke and the concentrations of diamonds to depth. Twelve NQ size holes spaced at 50 m intervals and designed to cut the dyke at the 50 m and 100 m levels are recommended.

The undertakings described above constitute **Phase I** of the work program. **Phase II** will entail, based upon the results for the prospecting samples, the extraction and processing of ~2.5

and 10 tonne bulk samples. These larger bulk samples are required to better establish the diamond distribution within and grade of a complex or dyke.

Cost estimates, as detailed in the following **Table 6**, are **$505,000** for **Phase I** , and **$424,000** for **Phase II**.

Respectfully submitted,

James G. Burns B.Sc., P.Eng.
September 19, 2005

TABLE 6

PROPOSED EXPLORATION BUDGET

PHASE 1		
Property prospecting : 2 men @ $350/d for 15 days	$ 10,500.	
Sample processing : 30 samples @ $80/kg x 10 kg	24,000.	
Duplicate samples : 3 samples @ $80/kg x 8 kg	1,920.	
Boat and helicopter rental : allow	5,000.	
Line cutting : 10 areas x 8 km/area x $350/ km	28,000.	
Detailed prospecting : 2 men @ $350/d for 30 days	21,000.	
Sample processing : 100 samples @ $80/kg x 10 kg	80,000.	
Duplicate samples : 10 samples @ $80/kg x 8 kg	6,400.	
Stripping : 4 areas x 6 days /area x $2500/d	60,000.	
Core drilling : 12 holes for 1350 m @ $100/m	135,000.	
Core sample processing : 36 samples @ $80/kg x 10 kg	28,800.	
Duplicate samples : 4 samples @ $80/kg x 8 kg	2,560.	
Project supervision, report writing : 60 days @ $500/d	30,000.	
Room and board for 3 men @ $125/d for 50 days	18,750.	
Travel : allow	5,000.	
Drafting, etc : allow	2,000.	
Sub Total	$458,930.	
Contingency (10.0 %)	46,070.	
Total		$505,000
PHASE 11		
Extracting bulk samples : 6 samples @ 2.5 tonne each @ $7,000/e	$ 42,000.	
Extracting bulk samples : 2 samples @ 10 tonne each @ $20,000e	40,000.	
Sample processing : 35 tonnes @ $8,000/t	280,000.	
Supervision, report writing : 30 days @ $500/d	15,000.	
Room & board : 25 days @ $125/d	3,125.	
Transport : allow	3,000.	
Miscellaneous : allow	2,000.	
Sub Total	$385,125.	
Contingency (10.1%)	38,875.	
Total		424,000
Grand Total		**$929,000**

LIST OF FIGURES

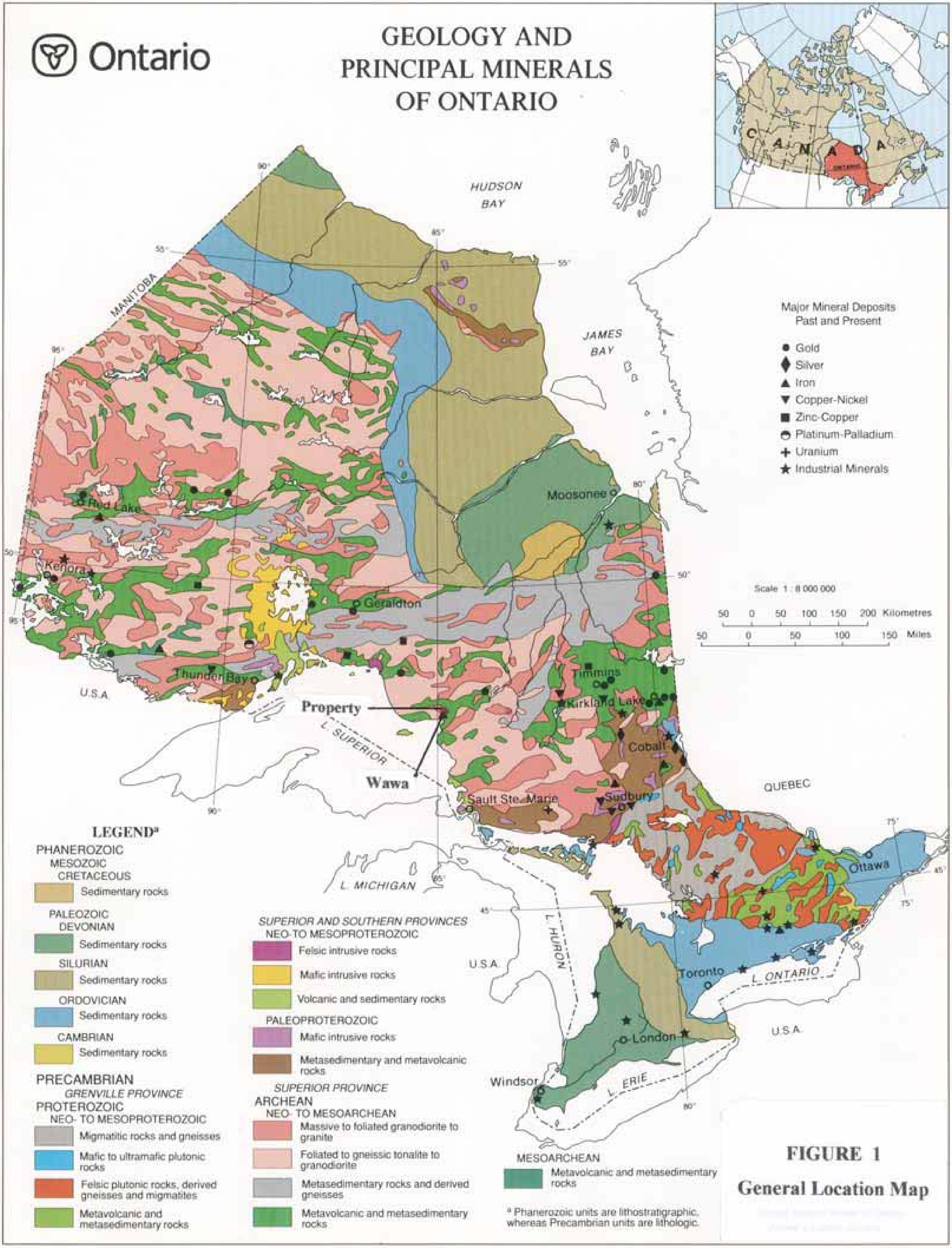


FIGURE 1

General Location Map

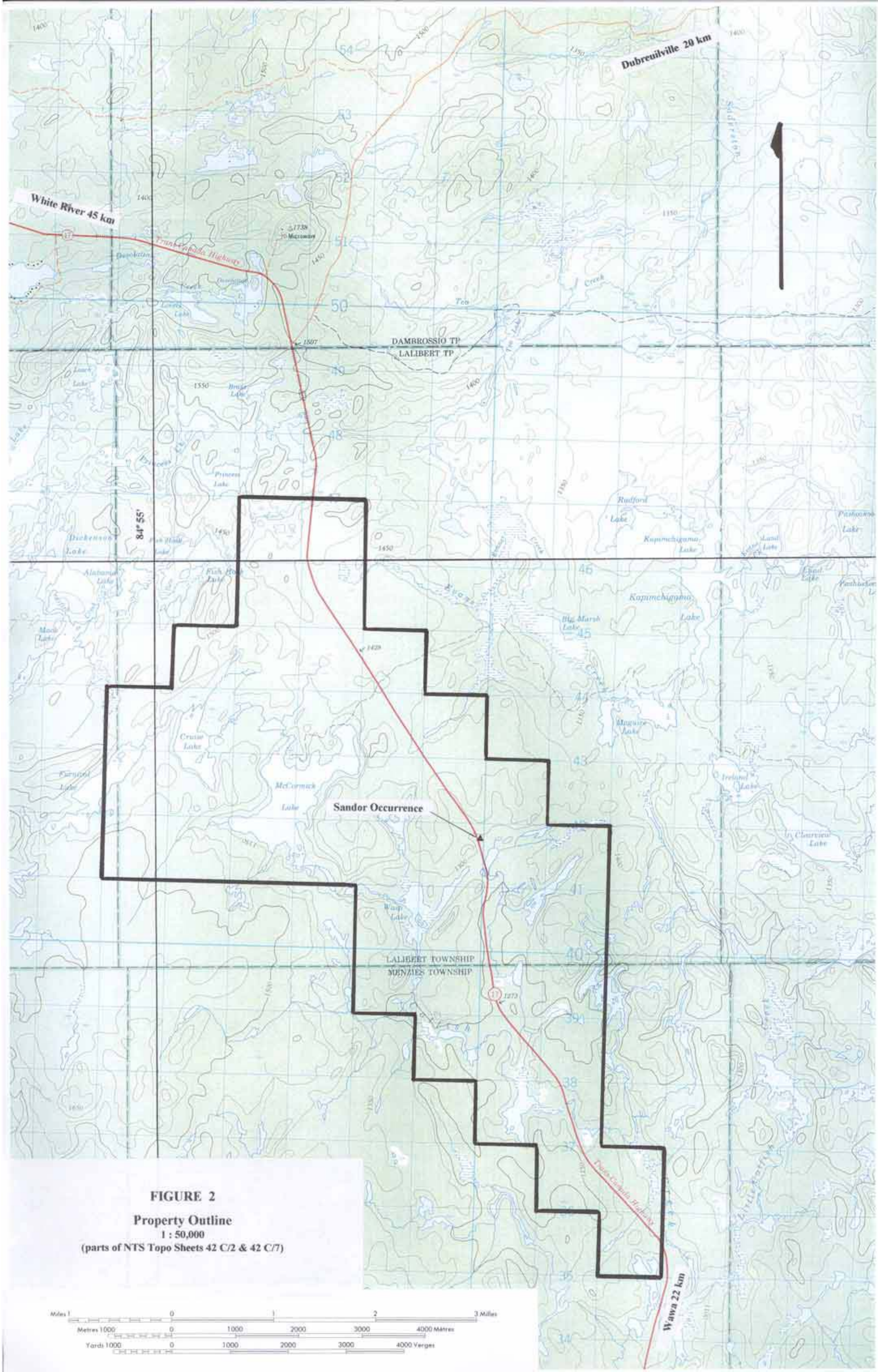


FIGURE 2

Property Outline
1 : 50,000
(parts of NTS Topo Sheets 42 C/2 & 42 C/7)

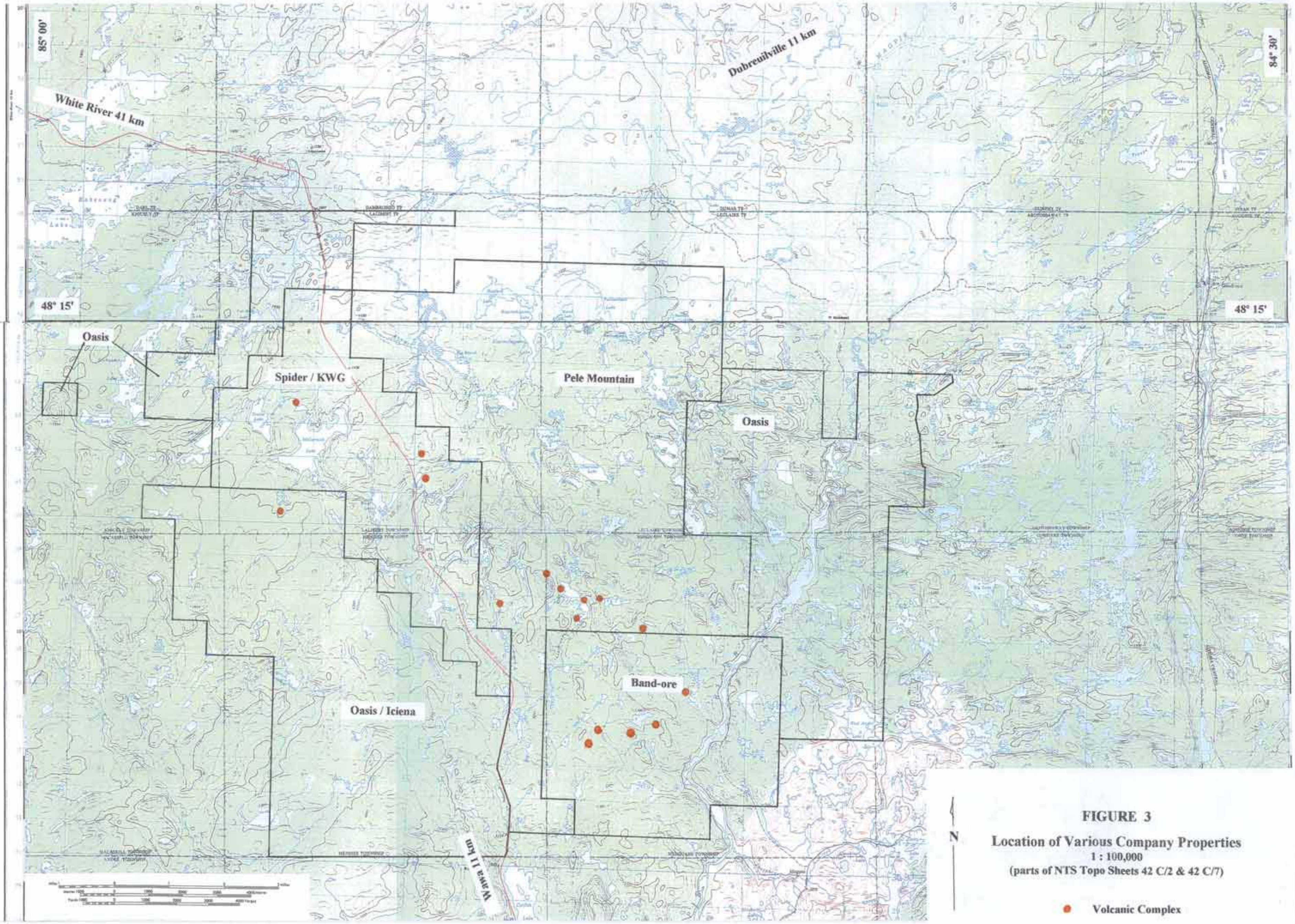


FIGURE 3

Location of Various Company Properties
1 : 100,000
(parts of NTS Topo Sheets 42 C/2 & 42 C/7)

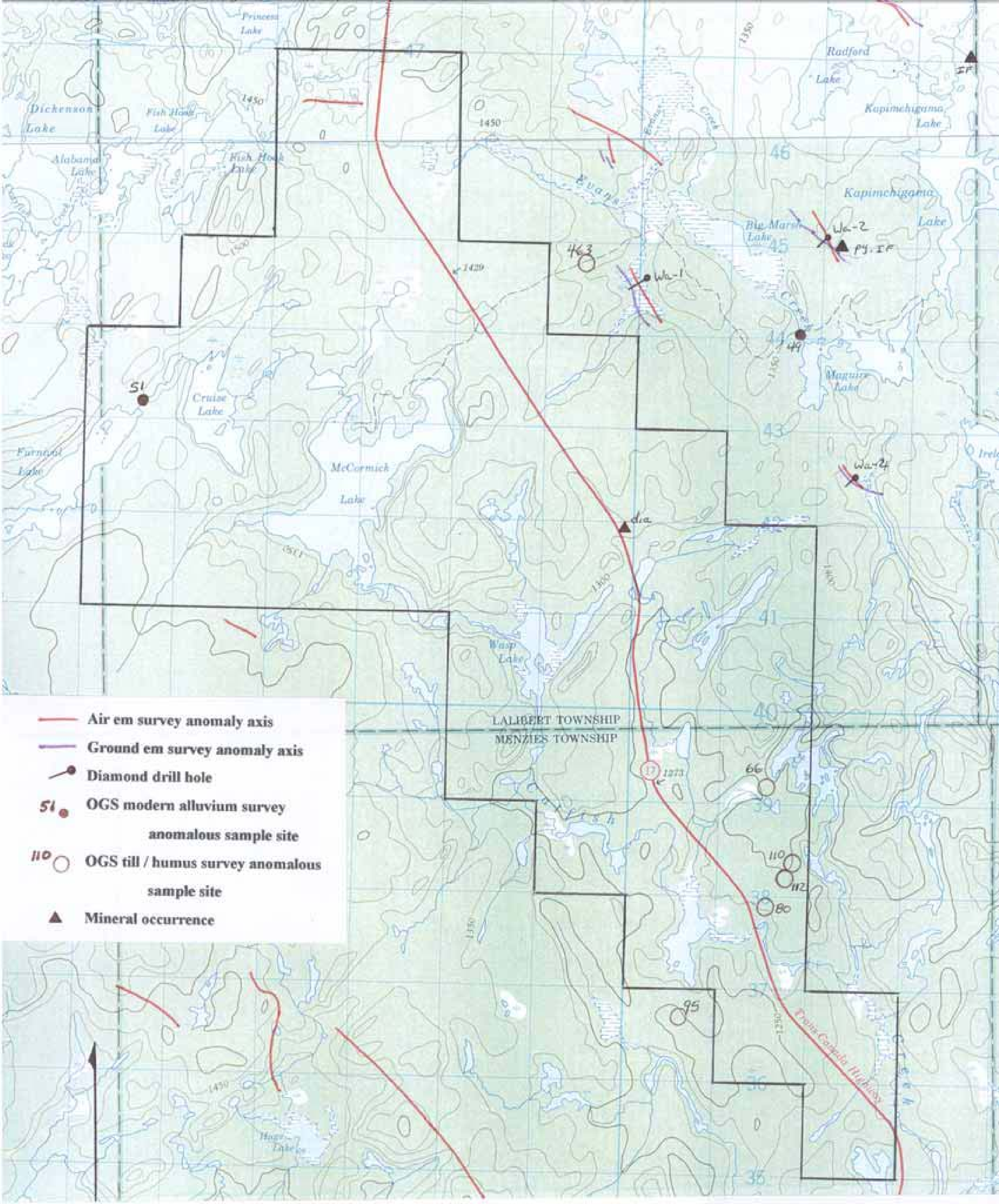
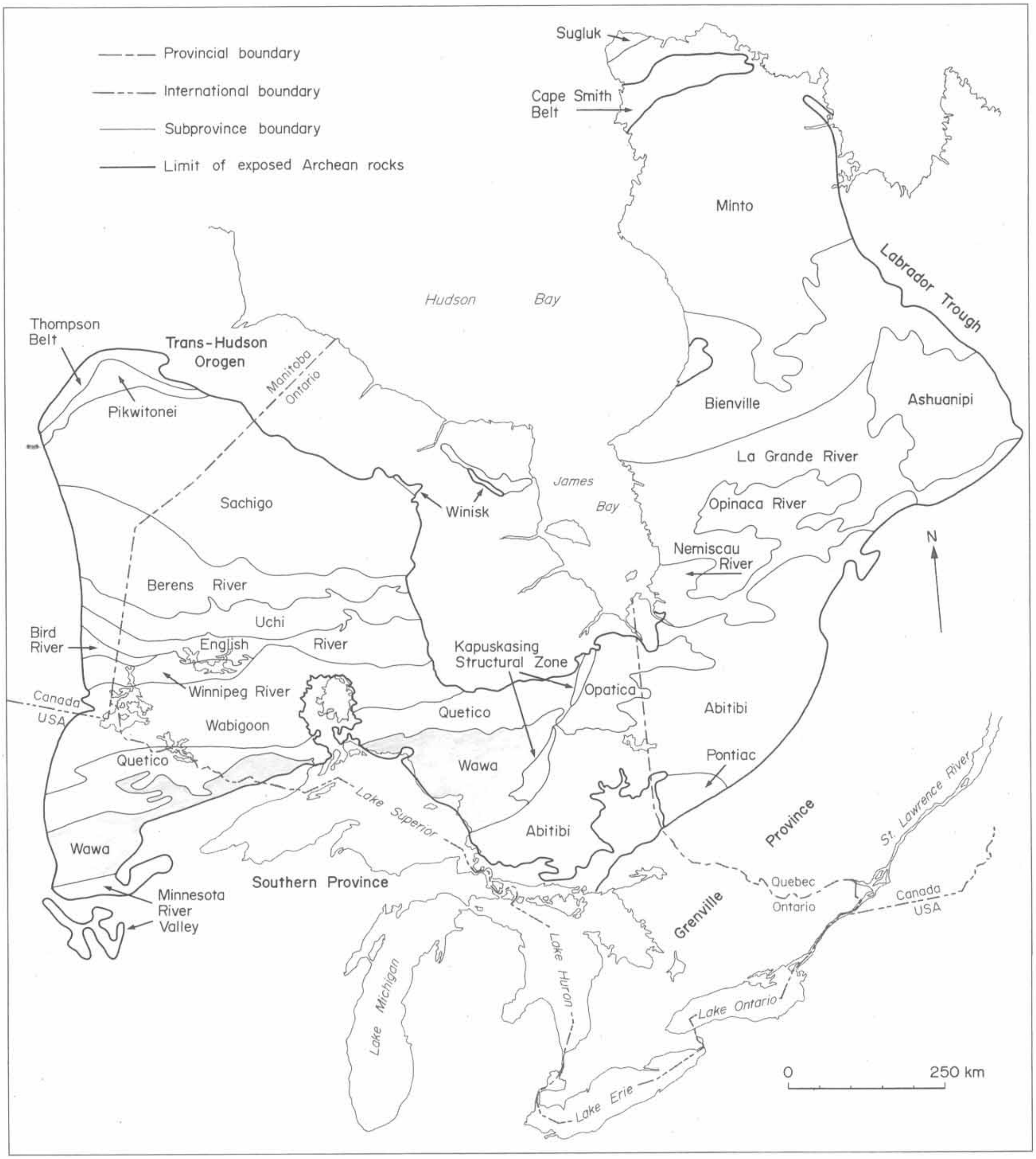


FIGURE 4

Assessment Compilation



Subdivision of the Superior Province into subprovinces (*modified from* Card and Ciesielski 1986).

FIGURE 5

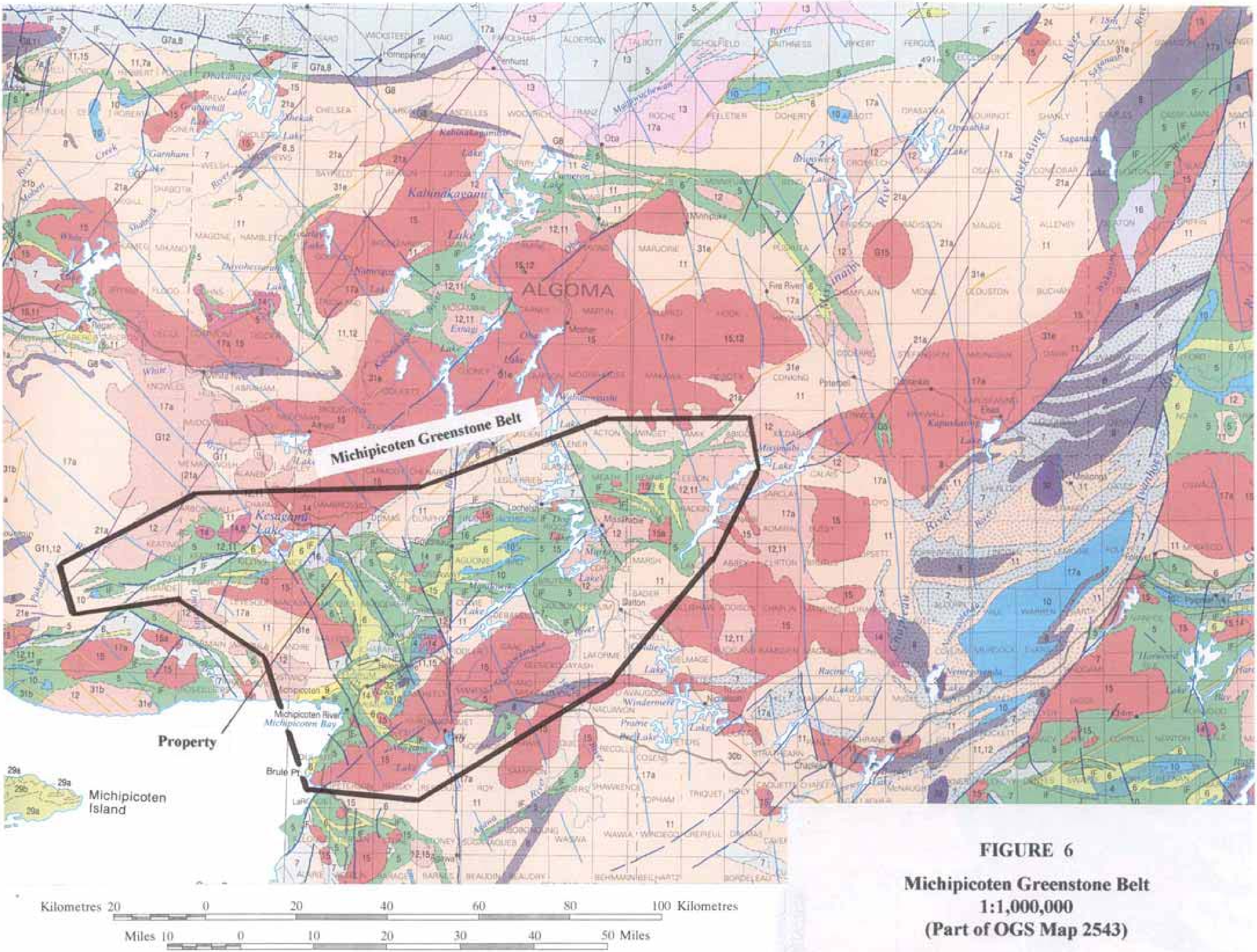


FIGURE 6

Michipicoten Greenstone Belt
1:1,000,000
(Part of OGS Map 2543)

PHANEROZOIC*

MESOZOIC

CRETACEOUS AND JURASSIC

LOWER CRETACEOUS AND MIDDLE JURASSIC

60	Kaolinitic clay, clay, sand, lignite
	60a Mattagami Fm.; Mistuskwia Beds
	60b Evans Strait Fm.

JURASSIC

59 ♦	Alkalic dikes and intrusions: kimberlite and lamprophyre

PALEOZOIC

MISSISSIPPIAN TO DEVONIAN*

58	Shale: Port Lambton Gp.

DEVONIAN

UPPER DEVONIAN

57	Shale
	57a Kettle Point Fm.
	57b Long Rapids Fm.

MIDDLE DEVONIAN

56	Limestone, dolostone, shale
	56a Hamilton Gp.
	56b Marcellus Fm.
	56c Dundee Fm.
	56d Detroit River Gp.; Onondaga Fm.
	56e Williams Island Fm.
	56f Murray Island Fm.
	56g Moose River Fm.
	56h Kwataboahegan Fm.

LOWER DEVONIAN

55	Sandstone, dolostone, limestone
	55a Bois Blanc Fm.; Oriskany Fm.
	55b Stooping River Fm.
	55c Sextant Fm.

SILURIAN

UPPER SILURIAN

54	Limestone, dolostone, shale, sandstone, gypsum, salt
	54a Bass Islands Fm.
	54b Bertie Fm.
	54c Salina Fm.
	54d Kenogami River Fm. (Upper Silurian to Lower Devonian)

MIDDLE AND LOWER SILURIAN

53	Sandstone, shale, dolostone, siltstone
	53a Guelph Fm.
	53b Lockport Fm.
	53c Amabel Fm.
	53d Clinton Gp.; Cataract Gp.
	53e Thorold Fm.; Earlton Fm.
	53f Wabi Gp.
	53g Attawapiskat Fm.
	53h Ekwan River Fm.
	53i Severn River Fm.

ORDOVICIAN

UPPER ORDOVICIAN

52	Shale, limestone, dolostone, siltstone
	52a Queenston Fm.
	52b Georgian Bay Fm.; Blue Mountain Fm.; Billings Fm.; Collingwood Mb.; Eastview Mb.
	52c Liskeard Gp.
	52d Red Head Rapids Fm.
	52e Churchill River Gp.
	52f Bad Cache Rapids Gp.

MIDDLE ORDOVICIAN

51	Limestone, dolostone, shale, arkose, sandstone
	51a Ottawa Gp.; Simcoe Gp.; Shadow Lake Fm.
	51b Chazy Gp.; Rockcliffe Fm.

LOWER ORDOVICIAN

50	Dolostone, sandstone: Beekmantown Gp.

CAMBRIAN

49	Conglomerate, sandstone, shale, dolostone: Potsdam Gp.; Nepean Fm.; Covey Hill Fm.

PRECAMBRIAN*

*GRENVILLE PROVINCE**

PROTEROZOIC

NEO- TO MESOPROTEROZOIC (0.57 to 1.6 Ga)

48	Tectonite unit: tectonites, straight gneisses, porphyroclastic gneisses; unsubdivided gneisses in major deformation zones, mylonites, pseudotachylites

CENTRAL METASEDIMENTARY BELT

47	Late felsic plutonic rocks[1]: granodiorite, granite, syenite, pegmatite, alkali granite, migmatitic granites
46	Mafic to ultramafic plutonic rocks[1]: diorite, gabbro, peridotite, pyroxenite, anorthosite, derived metamorphic rocks
45	Alkalic plutonic rocks: nepheline syenite, alkalic syenite, fenite; associated mafic, ultramafic and carbonatitic rocks
44	Early felsic plutonic rocks[1]: granodiorite, tonalite, monzogranite, syenogranite, derived gneisses and migmatites

GRENVILLE SUPERGROUP AND FLINTON GROUP[#]

43	Carbonate metasedimentary rocks: marble, calc-silicate rocks, skarn, tectonic breccias
42	Clastic metasedimentary rocks[1]: conglomerate, wacke, quartz arenite, arkose, limestone, siltstone, chert, minor iron formation, minor metavolcanic rocks
41	Mafic to felsic metavolcanic rocks: flows, tuffs, breccias, minor iron formation, minor metasedimentary rocks; includes reworked pyroclastic units, amphibolite

MESOPROTEROZOIC (0.9 to 1.6 Ga)

CENTRAL GNEISS BELT

40	Felsic igneous rocks: tonalite, granodiorite, monzonite, granite, syenite; derived gneisses
39	Anorthosite and alkalic igneous rocks: anorthosite, anorthositic gabbro, gabbro and related gneisses, nepheline syenite, alkalic syenite
38	Migmatitic rocks and gneisses of undetermined protolith: commonly layered biotite gneisses and migmatites; locally includes quartzofeldspathic gneisses, orthogneisses, paragneisses
37	Mafic rocks: amphibolite, gabbro, diorite, mafic gneisses
36	Gneisses of metasedimentary origin: quartzofeldspathic gneisses, pelitic to semi-pelitic gneisses, calc-silicate gneisses, minor quartzite, minor marble and marble breccia

SOUTHERN[#] AND SUPERIOR PROVINCES

EARLY PALEOZOIC TO NEOPROTEROZOIC (0.45 to 0.9 Ga)

35	Carbonatite-alkalic intrusive suite (550 to 600 Ma): carbonatite, nepheline syenite, alkalic syenite, ijolite, fenite; associated mafic and ultramafic intrusions
	35a Intrusions of uncertain age
34	Mafic intrusive rocks[1]
	34a *Grenville swarm* (~575 Ma): diabase dikes
	34b *Frontenac swarm* (650 to 800 Ma): diabase dikes
	34c Gabbro, diorite, ultramafic rocks, granophyre

PROTEROZOIC

MESOPROTEROZOIC (0.9 to 1.6 Ga)

UPPER KEWEENAWAN SUPERGROUP (<1086 Ma)

33	Jacobsville Gp.; Oronto Gp.: sandstone, shale, conglomerate

INTRUSIVE ROCKS

32	Carbonatite-alkalic intrusive suite (1.0 to 1.2 Ga): carbonatite, nepheline syenite, alkalic syenite, ijolite, fenite; associated mafic and ultramafic rocks
31	Mafic and related intrusive rocks (Keweenawan age)[1]
	31a *Logan and Nipigon sills* (1109 Ma): diabase sills
	31b *Pigeon River and Pukaskwa swarms*: diabase dikes
	31c Ultramafic, gabbroic and granophyric intrusions
	31d Felsic to intermediate intrusive rocks
	31e *Abitibi swarm* (1141 Ma): diabase dikes
30	Mafic intrusive rocks[1]
	30a *Mackenzie swarm* (1267 Ma): diabase dikes
	30b *Sudbury swarm* (1238 Ma): diabase dikes

MIDDLE AND LOWER KEWEENAWAN SUPERGROUP (1086 to 1107 Ma)

29	Osler Gp.; Mamainse Point Fm.; Michipicoten Island Fm.
	29a Basalt and associated conglomerate and arkose
	29b Rhyolite, quartz feldspar porphyry, associated conglomerate and arkose
28	Sibley Gp.: conglomerate, sandstone, shale

MESO- TO PALEOPROTEROZOIC (0.9 to 2.5 Ga)

27	Felsic intrusive rocks
	27a Granite, alkali granite, granodiorite, quartz feldspar porphyry; minor related volcanic rocks[1] (1.4 to 1.5 Ga)
	27b Killarney monzogranite and granitic rocks[#] (1.7 and 1.4 Ga)
	27c Intermediate to felsic volcanic rocks[#] (1.6 to 1.8 Ga)

PALEOPROTEROZOIC (1.6 to 2.5 Ga)

26	Sudbury Igneous Complex (1850 Ma): norite, gabbro, granophyre
25	Whitewater Gp.[1]: fragmental rocks, mudstone, wacke
24	Carbonatite-alkalic intrusive suite (ca. 1.9 Ga): carbonatite, nepheline syenite, alkalic syenite, ijolite, fenite; associated mafic and ultramafic rocks
23	Mafic intrusive rocks[1]
	23a *Molson swarm* (1884 Ma): diabase dikes; and *Sutton Inlier*: diabase sills
	23b *Wabigoon swarm*: diabase dikes
	23c *North Channel swarm*: diabase dikes
22	Sedimentary rocks
	22a *Animikie Gp.*[1M]: wacke, shale, iron formation, limestone, minor volcanic rocks
	22b *Sutton Inlier*: dolostone, chert breccias, argillite, wacke, conglomerate, iron formation
21	Mafic and related intrusive rocks[1]
	21a *Preissac swarm*: diabase dikes
	21b *Marathon swarm*: diabase dikes
	21c *Kenora–Fort Frances swarm*: diabase dikes
	21d *Nipissing sills* (2219 Ma): diabase sills, dikes and related granophyre
	21e Mafic dikes and plutons of uncertain age
20	Felsic intrusive rocks (Murray Granite 2388 Ma, Creighton Granite 2333 Ma): granite

HURONIAN SUPERGROUP (2.2 Ga to 2450 Ma)

19	Cobalt Gp.[1]: conglomerate, wacke, arkose, quartz arenite, argillite
18	Quirke Lake Gp.; Hough Lake Gp.; Elliot Lake Gp.
	18a Conglomerate, wacke, arkose, quartz arenite, argillite, limestone, dolostone
	18b Volcanic rocks of the Elliot Lake Gp.

INTRUSIVE ROCKS

17	Mafic and ultramafic intrusive rocks
	17a *Matachewan and Hearst swarms* (2454 Ma)[1]: diabase dikes
	17b Gabbro, anorthosite

SUPERIOR PROVINCE

ARCHEAN

NEOARCHEAN (2.5 to 2.8 Ga)

INTRUSIVE ROCKS

16	Diorite–nepheline syenite suite[P]: pyroxenite, diorite, monzonite, syenite, nepheline syenite (saturated to undersaturated suite)

NEO- TO MESOARCHEAN (2.5 to 3.4 Ga)[P]

INTRUSIVE ROCKS

15	Massive granodiorite to granite: massive to foliated granodiorite to granite
	15a Potassium feldspar megacrystic units
14	Diorite–monzonite–granodiorite suite: diorite, tonalite, monzonite, granodiorite, syenite and hypabyssal equivalents (saturated to oversaturated suite)
13	Muscovite-bearing granitic rocks: muscovite-biotite and cordierite-biotite granite, granodiorite-tonalite
12	Foliated tonalite suite: tonalite to granodiorite—foliated to massive
11	Gneissic tonalite suite: tonalite to granodiorite—foliated to gneissic—with minor supracrustal inclusions
10	Mafic and ultramafic rocks[P]: gabbro, anorthosite, ultramafic rocks

NEO-ARCHEAN (2.5 to 2.9 Ga)

SUPRACRUSTAL ROCKS

9	Coarse clastic metasedimentary rocks[P]: mainly coarse clastic metasedimentary rocks, with minor, mainly alkalic, mafic to felsic metavolcanic flows, tuffs and breccias

NEO- TO MESOARCHEAN (2.5 to 3.4 Ga)

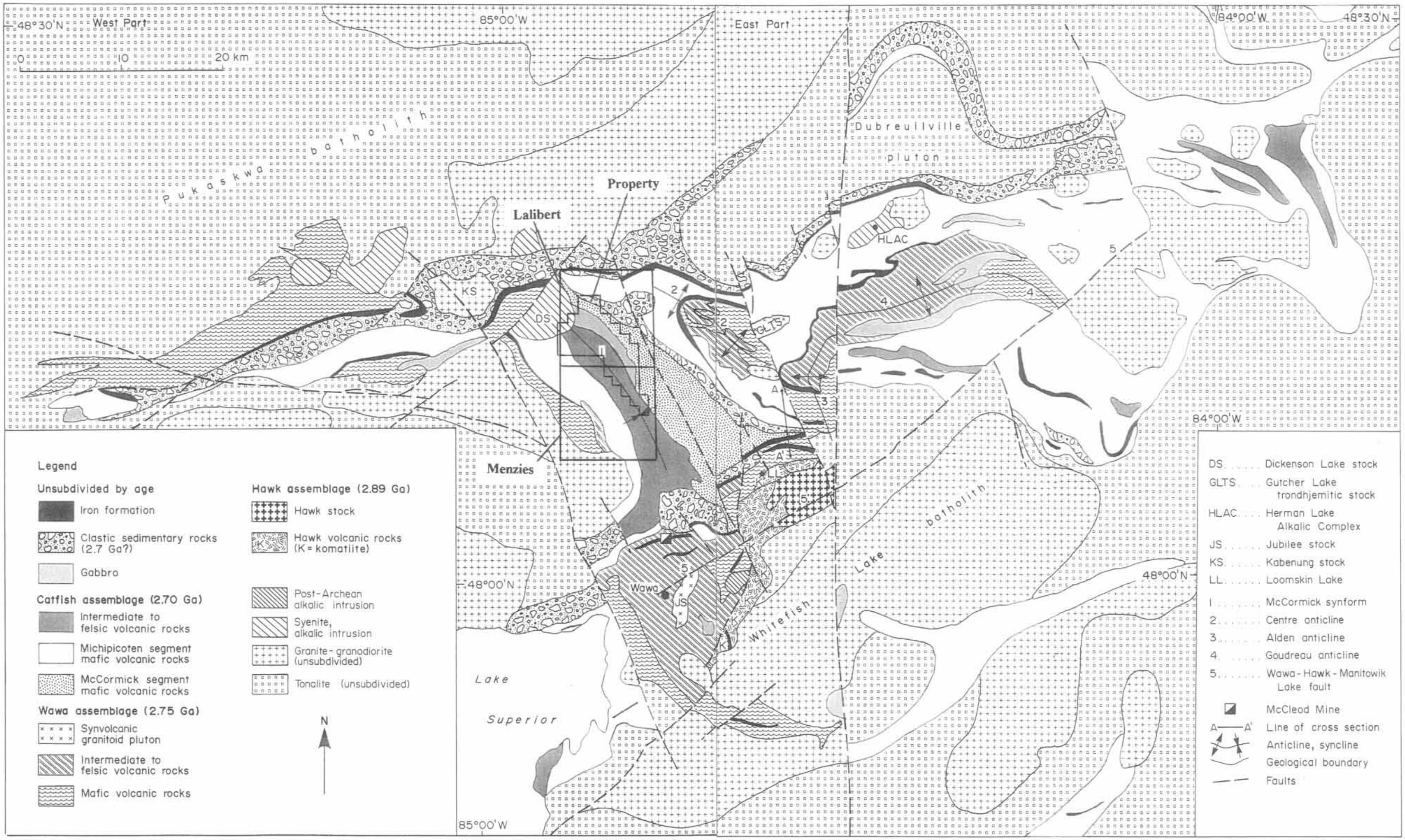
SUPRACRUSTAL ROCKS

8	Migmatized supracrustal rocks[P]: metavolcanic rocks, minor metasedimentary rocks, mafic gneisses of uncertain protolith, granitic gneisses
7	Metasedimentary rocks[P]: wacke, arkose, argillite, slate, marble, chert, iron formation, minor metavolcanic rocks
	7a Paragneisses and migmatites[1]
	7b Conglomerate and arenite
6	Felsic to intermediate metavolcanic rocks[P]: rhyolitic, rhyodacitic, dacitic and andesitic flows, tuffs and breccias, chert, iron formation, minor metasedimentary and intrusive rocks, related migmatites
5	Mafic to intermediate metavolcanic rocks[P]: basaltic and andesitic flows, tuffs and breccias, chert, iron formation, minor metasedimentary and intrusive rocks, related migmatites
	5a Andesitic flows, tuffs and breccias with minor rhyolites[#]
4	Mafic to ultramafic metavolcanic rocks[P]: mafic metavolcanic rocks with minor komatiites, minor metasedimentary and pyroclastic rocks

MESOARCHEAN (2.8 to 3.4 Ga)[*]

SUPRACRUSTAL ROCKS

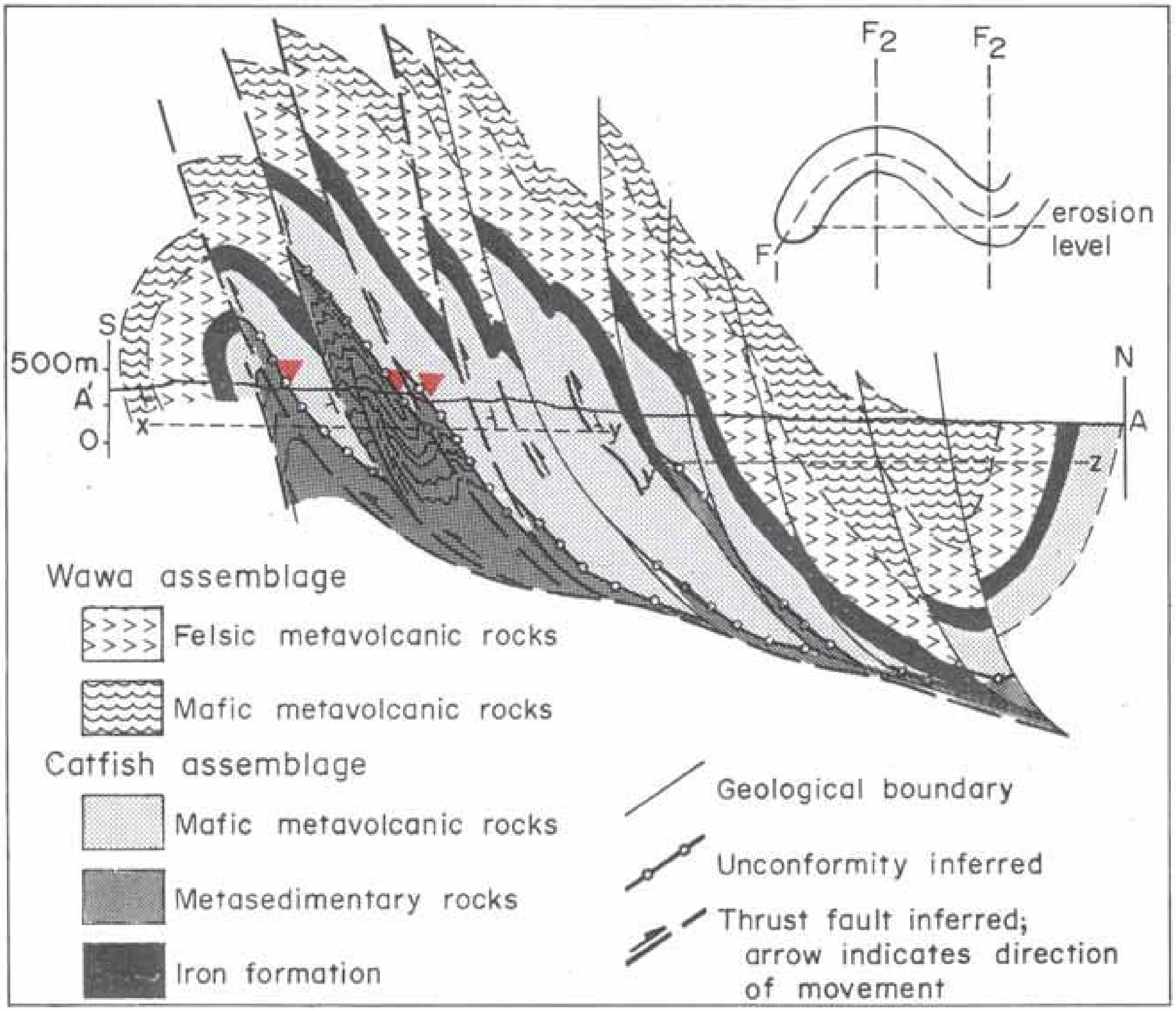
3	Mafic metavolcanic and metasedimentary rocks[1]: mafic metavolcanic rocks, minor iron formation
2	Felsic to intermediate metavolcanic rocks[1]: rhyolitic, rhyodacitic, dacitic and andesitic flows, tuffs and breccias
1	Metasedimentary rocks and mafic to ultramafic metavolcanic rocks[1M]: coarse clastic metasedimentary rocks, marble, quartz arenite, iron formation, komatiite, mafic metavolcanic rocks, and minor felsic metavolcanic rocks



Geological map showing the distribution of major rock types and the tectonic assemblages of the Michipicoten greenstone belt. Note the location of A - A' depicted in Figure 8.

FIGURE 7

(From OGS Special Volume 4, pages 500 & 501)

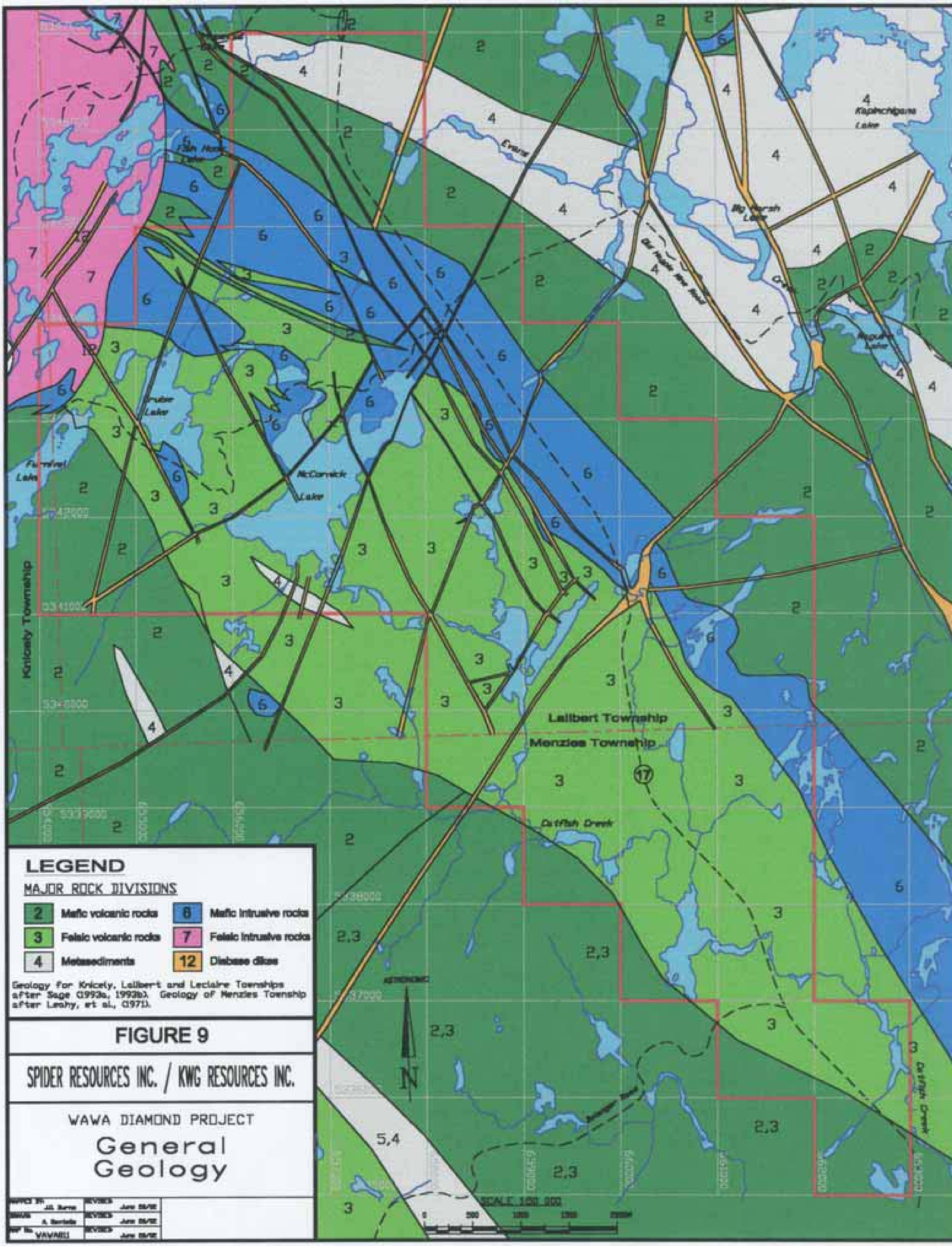


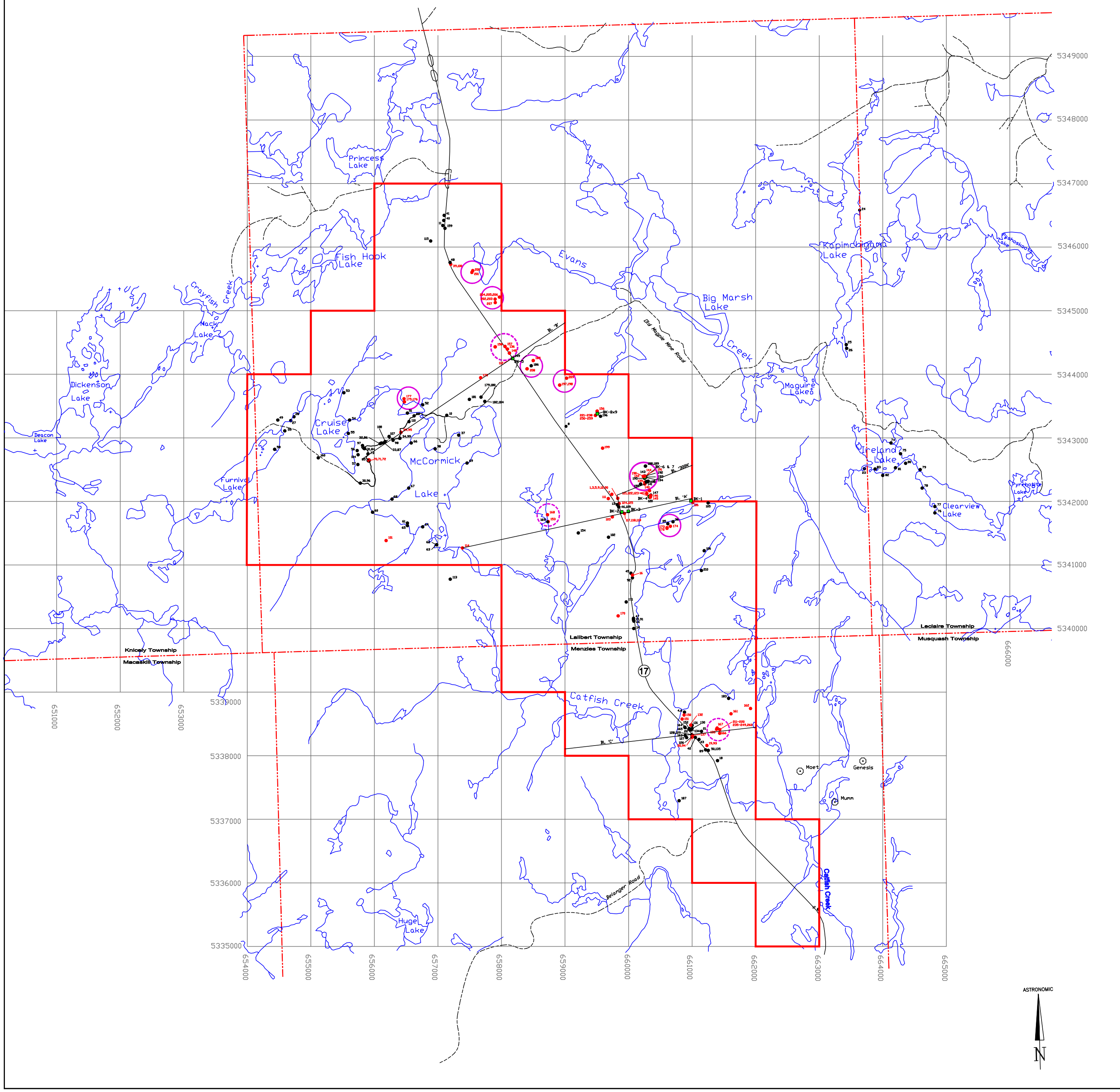
Composite structural cross section through the central part of the Michipicoten greenstone belt (*modified from* Arias and Helmstaedt 1990). Section x-y is an admissible section based on Arias and Helmstaedt (1990). Section y-z is a schematic section based on compilation (Goodwin 1963; Sage 1985). The sketch at lower left explains the present configuration of the belt as a regional scale recumbent fold (F_1) refolded about upright F_2 folds. Imbricate thrusts are considered to be contemporaneous with F_2 folding.

▼ **Horizon favourable for volcanic compiexes**

FIGURE 8

(From OGS Special Volume 4, page 503)


LEGEND
MAJOR ROCK DIVISIONS
2 Mafic volcanic rocks
3 Felsic volcanic rocks
4 Metasediments
6 Mafic intrusive rocks
7 Felsic intrusive rocks
12 Diabase dikes
Geology for Knicely, Lalibert and Leclaire Townships after Sage (1993a, 1993b). Geology of Menzies Township after Leahy, et al., (1971).
FIGURE 9
SPIDER RESOURCES INC. / KWG RESOURCES INC.
WAWA DIAMOND PROJECT
General Geology
Lalibert Township
Menzies Township
Knicely Township
McCormick Lake
Catfish Creek
Big Marsh Lake
Evans
SCALE 1:50 000
N



PROSPECTING SAMPLE DATA

Sample #	Map Site #	Sample Weight (kg)	Micro <0.5 mm	Macro >0.5 mm	Comm. >1.0 mm
95-HM-101	1	18.1	5	1	
95-HM-102	2	17.75	1		
96-LAL-1	3	31.6	8	2	
96-MEN-1	4	37.0			
96-LAL-2	5	36.0	48	6	
96-MEN-2	6	21.3			
96-LAL-3	7	34.6	1		
96-LAL-4	8	37.4			
96-LAL-5	9	19.9			
96-LAL-6	10	12.6			
96-LAL-7	11	24.5			
96-LAL-8	12	33.3	3		
96-LAL-100	13	24.3			
96-LAL-101	14	21.6			
96-LAL-102	15	23.0			
96-LAL-103	16	30.8	3		
96-MEN-104	17	28.2			
96-MEN-105	18	30.2			
96-MEN-106	19	27.9	1	1	
96-MEN-107	20	28.3	6	2	
96-MEN-108	21	25.7			
96-MEN-109	22	22.3			
96-LEC-110	23	21.3			
96-LAL-111	24	24.1			
96-LAL-112	25	33.0			
96-LAL-113	26	27.5			
96-LAL-114	27	24.3			
96-LAL-115	28	23.8			
96-LAL-116	29	25.3			
96-LAL-117	30	27.1			
96-LAL-118	31	20.9			
96-LAL-119	32	22.2			
96-LAL-120	33	25.8			
96-LAL-121	34	30.0			
96-LAL-122	35	28.2			
96-LAL-123	36	21.3			
96-LAL-124	37	24.0			
96-LAL-125	38	23.6			
96-LAL-126	39	27.3		1	
96-LAL-127	40	29.4			
96-LAL-128	41	34.9			
97-MEN-131	42	25.5			
97-MEN-132	43	25.8			
97-LAL-133	44	29.2			
97-LAL-134	45	27.8			
97-LAL-135	46	27.3			
97-LAL-136	47	29.2			
97-LAL-137	48	34.0			
97-LAL-140	49	16.3			
97-LAL-141	50	28.2			
97-LAL-142	51	20.3			
97-LAL-143	52	18.1			
97-LAL-144	53	21.0			
97-LAL-145	54	22.0			
97-LAL-146	55	18.0			
97-LAL-147	56	39.0			
97-LAL-148	57	23.2			
97-LAL-149	58	23.2			
97-LAL-150	59	31.8			
97-LAL-151	60	34.7			
97-LAL-152	61	36.4			
97-LAL-153	62	29.5			
97-LAL-154	63	35.6			
97-LAL-155	64	26.0			
97-LAL-156	65	33.5			
97-LAL-157	66	35.7			
97-LAL-158	67	37.1			
97-LAL-159	68	32.6			
97-LAL-160	69	38.2			
97-LAL-161	70	64.7	5	4	
97-LAL-162	71	50.8			
97-LAL-163	72	54.4	1		
97-LAL-164	73	54.7			
97-LAL-165	74	25.7			
97-LAL-166	75	32.5			
97-LAL-167	76	30.2			
97-LAL-168	77	24.9			
97-LAL-169	78	40.0			
97-LAL-170	79	31.6			
97-LAL-171	80	30.4			
97-LAL-172	81	30.1			
97-LAL-173	82	34.3			
97-LAL-174	83	36.2			
97-LAL-175	84	62.1			
97-LAL-176	85	25.1			
97-LAL-177	86	62.7			
97-LAL-178	87	59.4			
97-LAL-179	88	55.5			
97-LAL-180	89	34.3			
97-LAL-200S	90	169.9	18	3	
97-LAL-202	91	155.3			
97-LAL-203	92	163.6			
97-LAL-206	93	157.3			
97-MEN-207	94	164.7	80	15	
97-LAL-216	95	50.6	14	1	
97-LAL-217	96	57.2			
97-LAL-218	97	55.6			
97-LAL-220	98	56.5			
97-LAL-221	99	66.2			
97-LAL-226	100	181.0			
LAL-1-2001	101	15.0	2		
LAL-2-2001	102	15.0			
LAL-3-2001	103	15.0	1		
LAL-4-2001	104	15.0			
LAL-5-2001	105	15.0			
LAL-6-2001	106	15.0			
LAL-7-2001	107	15.0			
LAL-8-2001	108	15.0			
LAL-9-2001	109	15.0			
LAL-10-2001	110	15.0			
LAL-11-2001	111	15.0	2		
LAL-12-2001	112	27.0	28	1	1
LAL-13-2001	113	15.0			
LAL-14-2001	114	15.0	1		
LAL-15-2001	115	15.0			
LAL-16-2001	116	15.0	1		
LAL-17-2001	117	20.5	10	2	
LAL-18-2001	118	43.3	9	4	
LAL-19-2001	119	35.8	13	2	
LAL-20-2001	120	15.0			
LAL-21-2001	121	27.5	17	3	
LAL-22-2001	122	28.4	7	1	
LAL-23-2001	123	15.0	3		
LAL-24-2001	124	15.0	1		
LAL-25-2001	125	15.0	1		
MEN-1-2001	126	46.7	23	4	1
MEN-2-2001	127	15.0			
MEN-3-2001	128	15.0			
MEN-4-2001	129	15.0			
MEN-5-2001	130	15.0			
MEN-6-2001	131	15.0			
MEN-7-2001	132	15.0	13		
MEN-8-2001	133	14.7	1		
MEN-9-2001	134	15.0			
MEN-10-2001	135	15.0			
2002-LAL-136	136	15.0	2	2	
2002-MEN-137	137	15.0	6	2	
2002-LAL-138	138	15.0			
2002-LAL-139	139	15.0	9		
2002-LAL-140	140	15.0	1	1	
2002-LAL-141	141	15.0			
2002-LAL-142	142	15.0	1		
2002-LAL-143	143	15.0			
2002-LAL-144	144	15.0	37	2	
2002-LAL-145	145	15.0	1		
2002-LAL-146	146	15.0	28	6	1
2002-LAL-147	147	15.0			
2002-LAL-148	148	15.0	10	1	
2002-LAL-149	149	15.0			
2002-MEN-150	150	15.0	1		
2002-MEN-151	151	15.0		1	
2002-MEN-152	152	15.0			
2002-LAL-153	153	15.0	19		
2002-LAL-154	154	15.0			
2002-LAL-155	155	15.0			
2002-LAL-156	156	15.0	210	5	
2002-LAL-157	157	15.0	40	3	1
2002-LAL-158	158	15.0	47	1	
2002-LAL-159	159	15.0			
2002-LAL-160	160	15.0			
2002-MEN-161	161	15.0		1	
2002-MEN-162	162	15.0	14	1	
2002-MEN-163	163	15.0			
2002-MEN-164	164	15.0			
2002-MEN-165	165	15.0			
2002-MEN-166	166	15.0	2	2	
2002-MEN-167	167	15.0	37	22	
2002-LAL-168	168	15.0	1		
2002-LAL-169	169	13.8			
2002-LAL-170	170	10.2	5		
2002-LAL-171	171	15.0			
2002-LAL-172	172	15.0	3		
2002-LAL-173	173	15.0	9		
2002-LAL-174	174	15.0	17		
2002-LAL-175	175	15.0			
2002-LAL-176	176	15.0	1		
2002-LAL-177	177	15.0	1		
2002-LAL-178	178	15.0	1	1	
2002-LAL-179	179	15.0			
2002-LAL-180	180	15.0			
2002-LAL-181	181	15.0			
2002-LAL-182	182	15.0			
2002-MEN-183	183	14.9			
2002-LAL-184	184	15.0			
2002-LAL-185	185	15.0	63	1	
2002-LAL-186	186	14.6			
2002-MEN-187	187	15.0			
2002-LAL-188	188	15.0			
2002-LAL-189	189	15.0			
2002-LAL-190	190	15.0	1		
2002-LAL-191	191	15.0	12	1	
2002-LAL-192	192	15.0			
2002-LAL-193	193	15.0			
2002-LAL-194	194	15.0			
2002-LAL-195	195	15.0			

Sample #	Map Site #	Sample Weight (kg)	Micro <0.5 mm	Macro >0.5 mm	Comm. >1.0 mm
2004-LAL-196	196	10	16	4	
2004-LAL-197	197	10	4		
2004-LAL-198	198	10		1	
2004-LAL-199	199	10			
2004-LAL-200	200	10	3		
2004-LAL-201	201	10	2		
2004-LAL-202	202	10			
2004-LAL-203	203	10			
2004-LAL-204	204	10	3	3	
2004-LAL-205	205	10	7	3	
2004-LAL-206	206	10	4	4	
2004-LAL-207	207	10	1		
2004-LAL-208	208	10	3		
2004-LAL-209	209	10	7	2	
2004-LAL-210	210	10			
2004-MEN-211	211	10			
2004-MEN-212	212	10	2		
2004-MEN-213	213	10			
2004-MEN-214	214	10			
2004-MEN-215	215	10	3	1	
2004-MEN-216	216	10			
2004-MEN-217	217	10	1		
2004-LAL-218	218	10			
2004-MEN-219	219	10			
2004-MEN-220	220	10			
2004-LAL-221	221	10	17	3	1
2004-LAL-222	222	10	14	3	
2004-LAL-223	223	10	27	8	2
2004-LAL-224	224	10	3	1	
2004-LAL-225	225	10	17	3	
2004-LAL-226	226	10	12	4	
2004-LAL-227	227	10	11	5	
2004-LAL-228	228	10	9	3	
2004-LAL-229	229	10		3	
2004-LAL-230	230	10	4	1	
2004-LAL-231	231	21.64			
2004-LAL-232	232	19.8	53	55	9
2004-LAL-233	233	22.64	16	5	
2004-LAL-234	234	30.11	1351	267	14
2004-LAL-235	235	22.57	32	11	1
2004-LAL-236	236	10	166	10	
2004-LAL-237	237	10	17	1	
2004-LAL-238	238	10	9	4	
2004-MEN-239	239	10			
2004-MEN-240	240	10			
2004-MEN-241	241	10			
2004-MEN-242	242	10			
2004-MEN-243	243	10			
2004-MEN-244	244	10			
2004-MEN-245	245	10			
2004-MEN-246	246	10			
2004-MEN-247	247	10			
2004-MEN-248	248	10			
2004-MEN-249	249	10			
2004-LAL-250	250	10	30	11	2
2004-LAL-251	251	10	3	2	
2004-LAL-252	252	10	7	4	
2004-LAL-253	253	10	14	3	
2004-LAL-254	254	10	9	1	
2004-LAL-255	255	10	1		
2004-LAL-256	256	10		1	
2004-LAL-257	257	10	25	9	1
2004-LAL-258	258	10	28	2	
2004-MEN-259	259	10	6		
2004-MEN-260	260	10			

LEGEND

- Diamond bearing sample
- Non diamond bearing sample
- Mini bulk sample location
- 2004 Sample Sites - results pending
- Sandorite volcanic complex
- Potential sandorite volcanic complex
- Diamond occurence - other property

FIGURE 10 (REVISED)

SPIDER RESOURCES INC. / KWG RESOURCES INC.

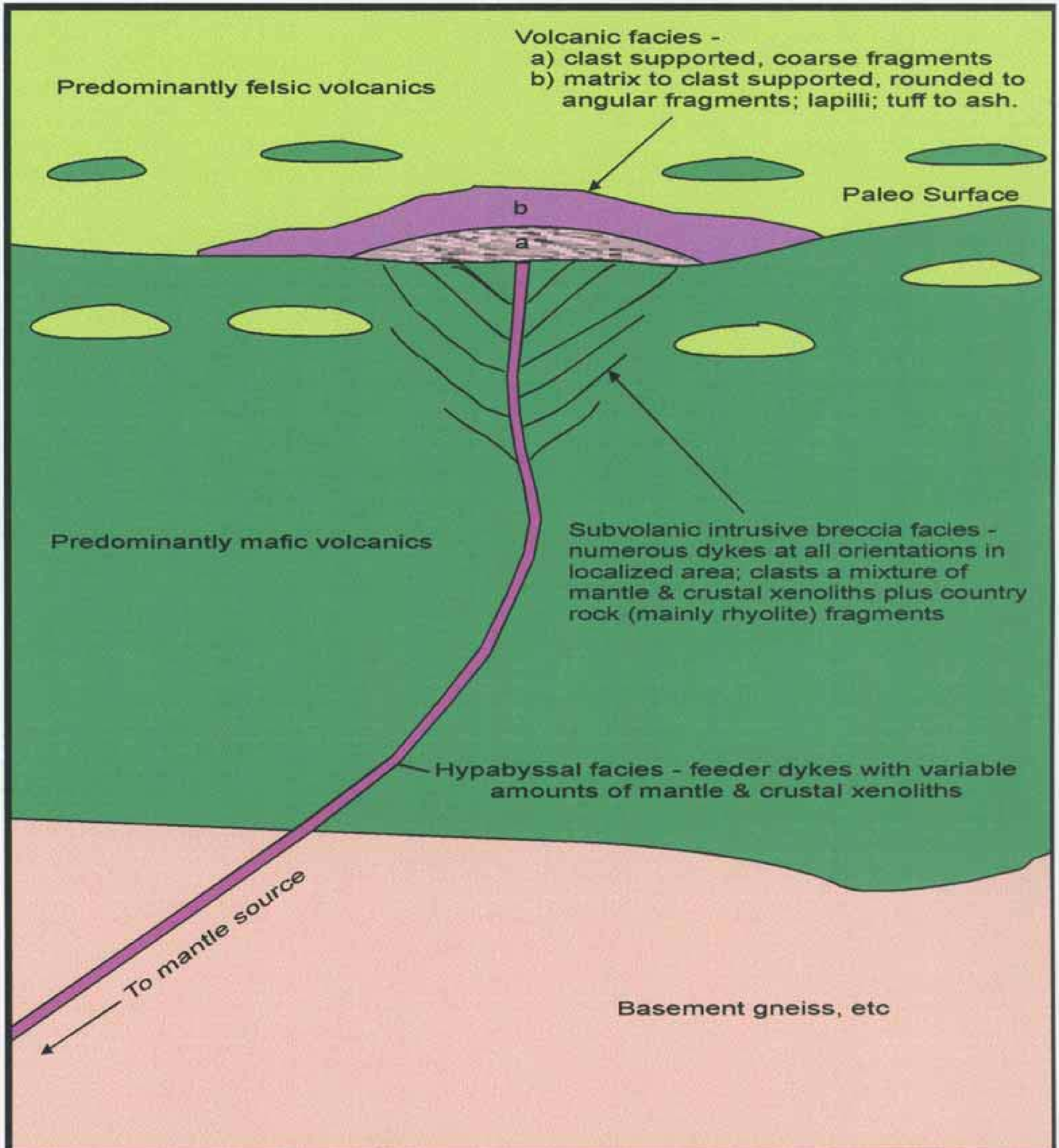
WAWA DIAMOND PROJECT

Locations of Rock Samples

SCALE 1:20 000

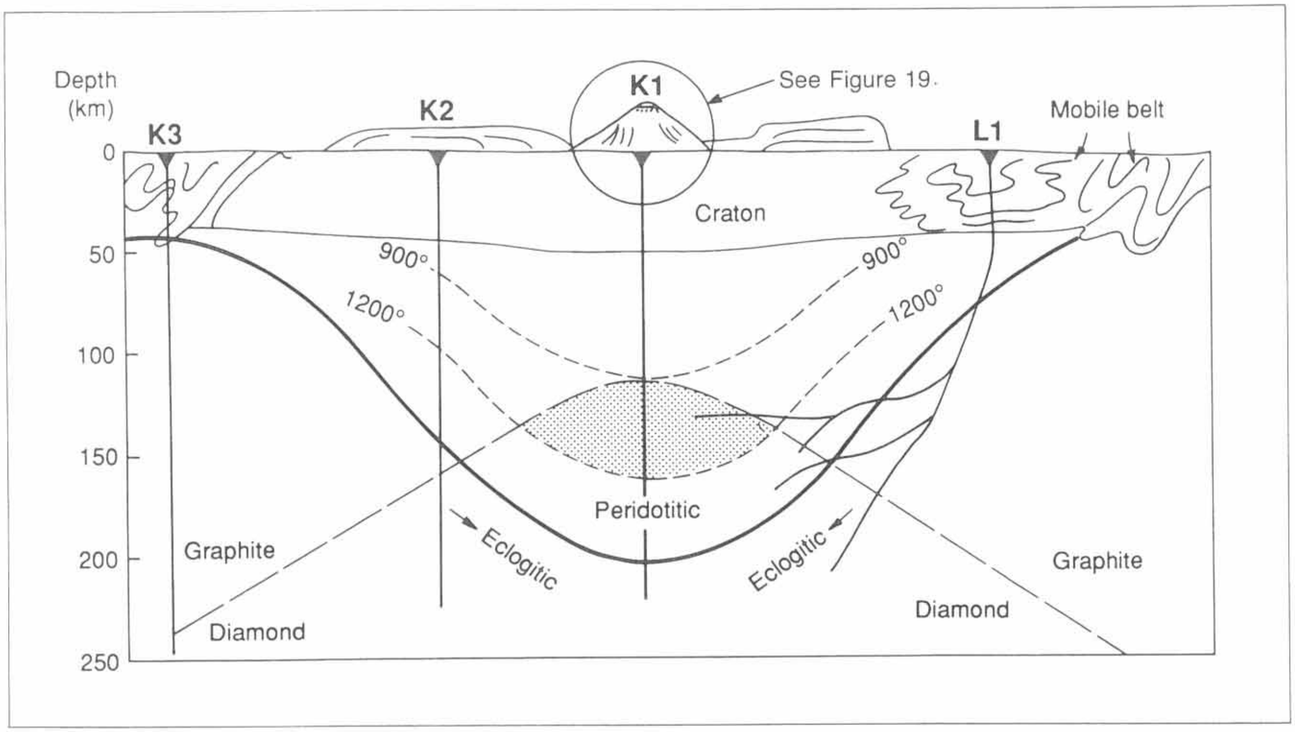
0 200 400 600 800 1000m

Figure_10



Note:
Intrusion occurred into an active regional volcanic system

Figure 11
Schematic Showing Relationship of Various Facies in a Diamond Bearing Volcanic Complex



This model for the genesis of diamond is simplified from Haggerty (1986). The stable craton and subcratonic areas today are as much as 200 km thick (heavy solid line) and are bounded by mobile belts. The isotherms (lines connecting points of equal temperature) in the craton are concave downwards. The diamond stability field (area in which diamond is stable) is convex upward. The K1 kimberlite pipe is likely to have P-type diamonds because it sampled diamonds in the diamond "storage area" (shaded zone) at the keel of the craton, where this type of diamond is presumed to be present. Pipe K2 may have E-type diamonds. Kimberlite pipe K3 will be barren of diamonds. L1 is the possible location for Argyle-type lamproite pipes. See text for additional details.

A kimberlite pipe such as K1 (figure 20), ideally situated over the keel of the craton, would be likely to contain diamonds, primarily of the P-type, provided other factors, such as a rapid ascent rate, are favorable. Pipe K2 would likely sample an eclogitic enclave hosting E-type diamonds, whereas kimberlite diatreme K3, which is "off craton," would probably be barren. The lamproite diatreme L1, as exemplified by the Argyle and Ellendale pipes in Australia, is also "off craton" in that it is intruded into the mobile belt; yet it is diamondiferous with both P-type and E-type diamonds. To account for this, Haggerty (1986) suggests a "complex plumbing system" (a system of interconnecting fractures) that is able to sample appropriate preservation and storage areas.

(From Kirkley et al., 1992)

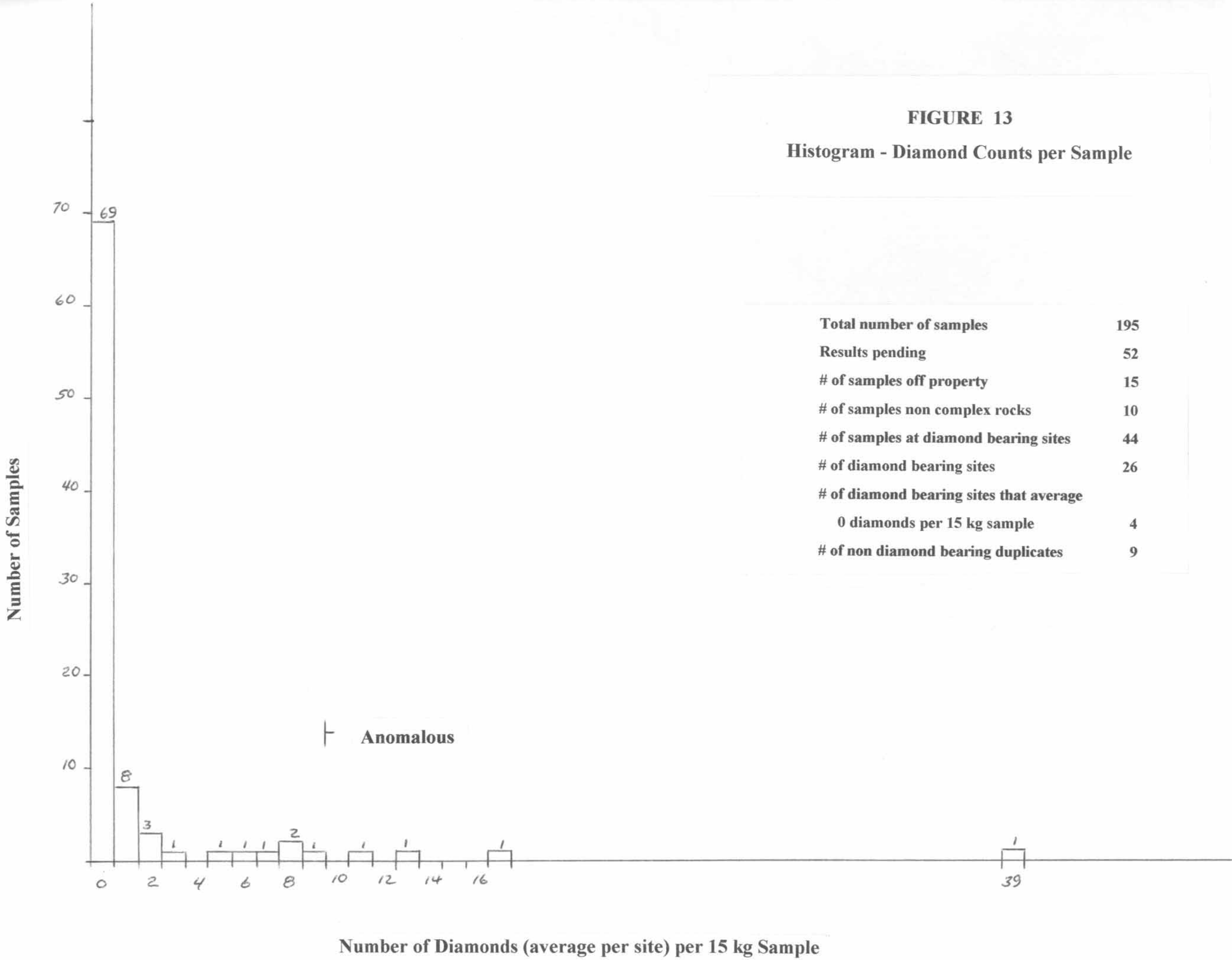
Diamond Source Locations

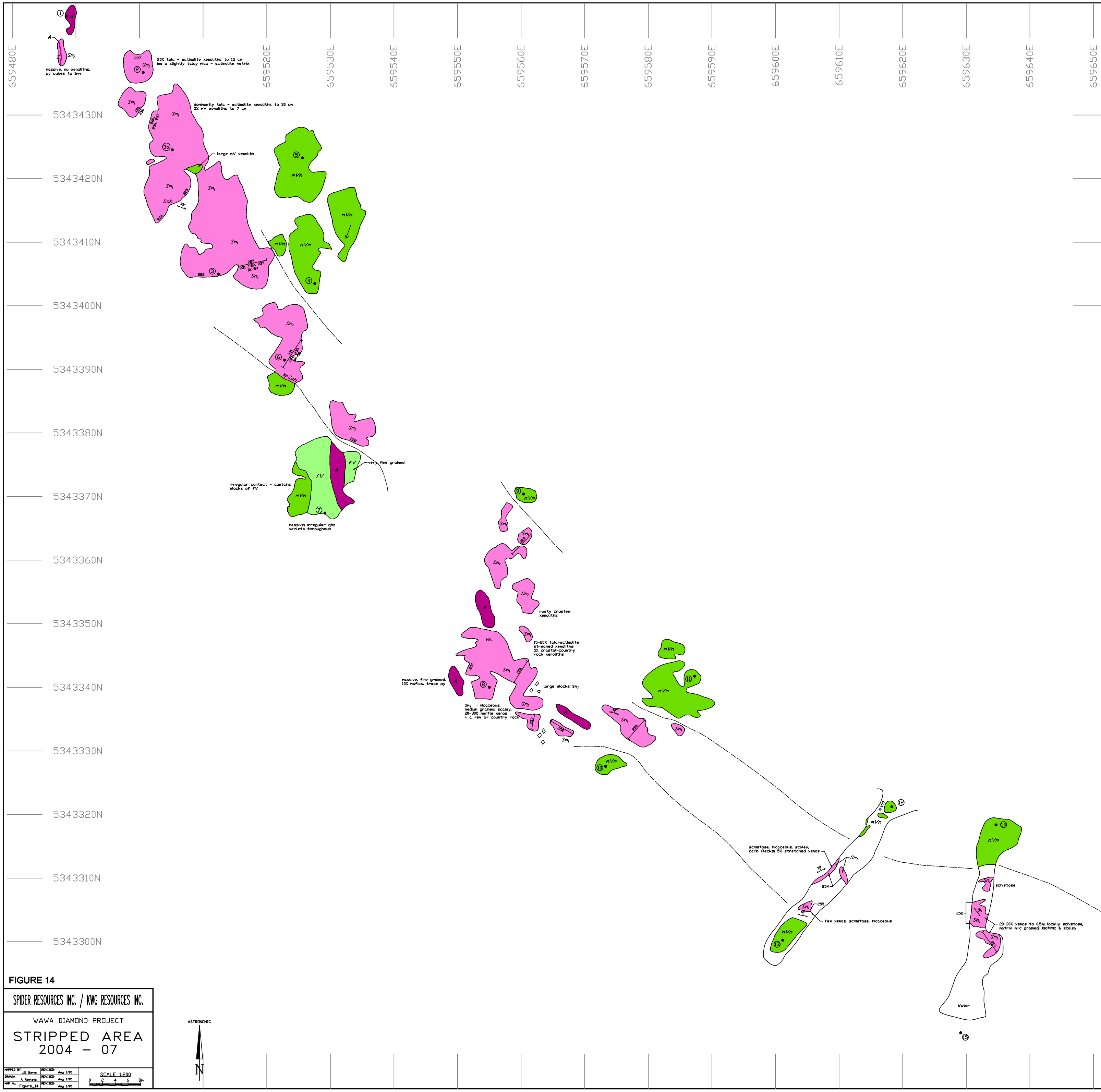
FIGURE 12

FIGURE 13

Histogram - Diamond Counts per Sample

Total number of samples	195
Results pending	52
# of samples off property	15
# of samples non complex rocks	10
# of samples at diamond bearing sites	44
# of diamond bearing sites	26
# of diamond bearing sites that average 0 diamonds per 15 kg sample	4
# of non diamond bearing duplicates	9





LEGEND

Rock Unit		Colour Code	Prefix	Suffix
A	Aplite			
S	Sandorite			1 - hypabyssal facies 2 - Subvolcanic facies 3 - Volcanic facies sh - schistose
V	Volcanic		f - felsic m - mafic	m - massive

Symbols

- bedding, contact
- schistosity
- glacial striae
- rock contact observed
- rock contact interpreted
- 221 sample location and sample number
- • ⑧ reference point
  GPS co-ords for #8 (NAD 27, Zone 16U)
  0659555E, 5343340N

PROSPECTING SAMPLE DATA

Sample #	Map Site #	Sample Weight (kg)	Micro <0.5 mm	Macro >0.5 mm	Comm. >1.0 mm
2002-LAL-156	156	15	210	5	
2004-LAL-196	196	10			
2004-LAL-221	221	10	17	3	1
2004-LAL-222	222	10	14	3	
2004-LAL-223	223	10	27	8	2
2004-LAL-224	224	10	3	1	
2004-LAL-225	225	10	17	3	
2004-LAL-226	226	10	12	4	
2004-LAL-227	227	10	11	5	
2004-LAL-228	228	10	9	3	
2004-LAL-229	229	10		3	
2004-LAL-230	230	10	4	1	
2004-LAL-231	231	21.64			
2004-LAL-232	232	19.8	53	55	9
2004-LAL-233	233	22.84	16	5	
2004-LAL-234	234	30.11	1351	267	14
2004-LAL-235	235	22.57	32	11	1
2004-LAL-236	236	10	166	10	
2004-LAL-237	237	10	17	1	
2004-LAL-238	238	10	9	4	
2004-LAL-250	250	10	30	11	2
2004-LAL-251	251	10	3	2	
2004-LAL-252	252	10	7	4	
2004-LAL-253	253	10	14	5	
2004-LAL-254	254	10	9	1	
2004-LAL-255	255	10	1		
2004-LAL-256	256	10		1	
2004-LAL-257	257	10	25	9	1
2004-LAL-258	258	10	28	2	
2004-LAL-259	259	10	6		

FIGURE 14

SPIDER RESOURCES INC. / KWG RESOURCES INC.

WAWA DIAMOND PROJECT

STRIPPED AREA 2004 - 07

SCALE 1:200

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CERTIFICATE
FOR
JAMES G. BURNS

I, James G. Burns, P.Eng., do hereby certify that:

1. I am currently self employed as a geologist by:
   J.G. Burns & Associates,
   190 Graye Crescent,
   Timmins, Ontario, Canada.
   P4N 8K8

2. I graduated with a B.Sc. Degree in Geological Sciences (Honours) from Queen's University in 1969.

3. I am a member of the Association of Professional Engineers of Ontario.

4. I have worked as a geologist for a total of 35 years since my graduation from university.

5. I have read the definition of "qualified person" set out in National Instrument 43-101 ("NI 43-101") and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purpose of NI 43-101.

6. I am responsible for the preparation of this technical report titled "Technical Report for the Wawa Diamond Project, Lalibert and Menzies Townships, North Central Ontario of KWG Resources Inc. and Spider Resources Inc. and dated July 29, 2005 (the Technical Report).

7) I have had prior involvement with the property that is the subject of this Technical Report. I supervised the 2002, 2002 & 2004 field programs of prospecting and mini bulk sampling

8) I am not aware of any material fact or material change with respect to the subject matter of the Technical Report that is not reflected in the Technical Report, the omission of which makes the Report misleading.

9) I am not independent of the issuer applying all of the tests in Section 1.5 of NI 43-101.

10) I have read NI 43-101 and Form 43-101F, and the Technical Report has been prepared in compliance with that instrument and form.

11) I consent to the filing of the Technical Report with any stock exchange and other regulatory authority and the publication by them, including electronic publication in the public company files on their websites accessible by the public, of the Technical Report.

September 19, 2005

James G. Burns B.Sc.,
P.Eng.

APPENDIX 1

Letters of Authorization

Suite 700 – 347 Bay St. Toronto, Ontario, Canada M5H 2R7
Telephone 416 815 8666 Facsimile 416 815 1355

SPIDER RESOURCES INC.

September 12, 2005

Mr James Burns (P.Eng.)
190 Graye Crescent
Timmins, Ontario
P4N 8K8

Dear Jim:

Spider Resources Inc. is currently in the process of preparing an Update for its Wawa diamond project in Northern Ontario as required for continuous disclosure with the regulatory bodies. The Wawa diamond project, of which you are quite familiar as you worked on the project during the summer and fall of 2004, requires updating incorporating the results of the exploration program overseen by you during 2004. The updated report would need to be NI 43-101 compliant covering the 2004 – 2005 exploration program results.

We hereby ask you to prepare a technical report on the jointly owned Wawa property to include the recent sampling and survey work. This report must satisfy the requirements of National Instrument 43-101. We also hereby authorize you to use any confidential or public documents and information, concerning this project that you would require to complete this report.

As mentioned, the report will be filed with Sedar and any other regulatory body that is required to support required filings, but it may also be used to satisfy other regulatory requirements for financings.

Sincerely,

Spider Resources Inc.
Per:

Neil Novak
Chief Executive Officer, President

Ressources
KWG INC.
boulevard René-Lévesque
2930

September 12, 2005

BY FACSIMILE TO: (705) 268-4660

Mr James Burns, P.Eng.
190 Graye Crescent
Timmins, Ontario
P4N 8K8

Dear Jim:

We have instructed our project manager Billiken Management Services Inc. to obtain and file on our continuous disclosure record updated technical reports for the three projects in our joint venture with Spider Resources Inc. This will confirm our retainer of you to prepare the required report for the **Wawa Diamond Project**.

Kindly insure that your report complies with all requirements of N.I. 43-101. Copied herewith are our counsel's comments on a draft we had been previously provided by Billiken, for your assistance.

Sincerely,

Frank C. Smeenk
CEO

cc: Spider Resources Inc.
Attn: Neil Novak, President