

## PRESS RELEASE

**No 01**

**KWG RESOURCES INC.**

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Symbol on TSX-Venture: **KWG**

Shares issued and outstanding: **118,297,408**

Closing price on January 20, 2005: **\$0.22**

### **DRILLING RESUMES AT McFAULD'S LAKE AND WAWA DIAMOND PROJECT UPDATE**

Montréal, Québec – January 21, 2005 - **KWG RESOURCES INC.** (the “Company” or “KWG”) and joint venture partner Spider Resources Inc. (“Spider”) announce that the winter exploration and drilling program on their McFauld’s Lake project has resumed. The holes will test the westward and down dip extension of the McFauld’s #3 Volcanogenic Massive Sulphide “VMS” occurrence, involving 25 meter step outs from hole MCF-04-57 which encountered 18.8 meters of massive sulphide mineralization averaging 8.02% copper that was drilled late last year and reported upon November 8, 2004. The drill crew from Heath & Sherwood arrived on January 18<sup>th</sup>, and drilling has commenced on the first hole.

The joint venture has decided to retain Roscoe Postle Associates Inc. of Toronto, Ontario, to complete a preliminary resource estimate of the McFauld’s #1 and #3 VMS occurrences. This estimate developed from the drilling completed by the end of the current winter program will be used for valuation and exploration planning purposes, and compliance with NI 43-101.

The joint venture has engaged Geotech Ltd. to carry out a helicopter mounted “VTEM” airborne geophysical survey over claims acquired last year located to the southwest of McFauld’s Lake. Despite extremely cold winter conditions, approximately 40% of the survey has been completed since January 5<sup>th</sup>.

The joint venture also plans on complete the drilling of the elusive MacFadyen “deep magnetic linear structure” during February. After which, the lightweight “fly drill” used in this project will then be transported to the McFauld’s Lake project to start the drill testing of the numerous already ground located but untested by drilling VMS targets within the 319 square kilometer (70 km long) McFauld’s project.

#### **Wawa**

The joint venture anxiously awaits the results of two (2) five-tonne mini-bulk samples that were selected last November from the Wawa project. These large samples were selected from two nearby sites (LAL 221 and LAL 223) are being processed by Lakefield Research’s diamond recovery laboratory in Lakefield Ontario. Initial results are anticipated by the end of January or early February.

Also, collecting these mini-bulk samples, management of this project collected 30 “selected” samples, from the two main diamond occurrence areas to confirm the repeatability of earlier sample results and to investigate the diamond-host rock distribution.

Partial results have been received from this test work. Eight of 30 samples were processed by caustic dissolution at the Thunder Bay Diamond Services Laboratory (formerly the Kennecott Diamond testing facility) in Thunder Bay. The following is a listing of diamonds recovered from the first eight samples **ONLY**.

Thunder Bay Diamond Services Laboratories has not been able to provide a timely final report on these samples due to the great number of diamonds (over 2,000 diamonds) recovered, since they are providing individual descriptions (xyz dimensions, calculated projected weight, actual carat weight of larger stones, crystal descriptions, etc.) for each diamond in our eight samples.

These eight samples represent repeat sub-samples of sampling collected and analyzed during the summer of 2004. The analytical results for samples LAL 156 to 226 presented in the following table were previously reported (August 2004) and are presented again for comparison purposes.

ORIGINAL SAMPLE NUMBER	SAMPLE WEIGHT (KG)	DIAMONDS TOTAL (MACROS)	DIAMONDS (PER KG)	NEW SAMPLE NUMBER	SAMPLE WEIGHT (KG)	DIAMONDS	DIAMONDS (PER KG)
LAL 223	10	37 (10)	3.7	2004-LAL-231	21.6	0	0
LAL-223				2004-LAL-232 (*)	19.8	117	5.9
				2004-LAL-233 (**)	22.8	21	0.9
LAL 221	10	21 (4)	2.1	2004-LAL-234 (*)	30.1	1621	53.8
				2004-LAL-235 (**)	22.6	46	2.0
LAL 226	16	10 (4)	1.6	2004-LAL-236 (*)	10.0	177	17.7
				2004-LAL-237 (**)	10.0	18	1.8
LAL 156	15	215 (5)	14.3	2004-LAL-238	10.0	13	1.3
					146.96	2013	

(\*) The sampled material is predominantly the xenoliths.

(\*\*) The sampled material is predominately the matrix hosting the xenoliths.

The result for sample LAL 156 was the cause for our focused attention to this particular site and prompted the detail examination and the five-tonne mini-bulk sample. Interestingly, the repeat current sample number LAL 238 yielded only 13 diamonds (1.3 diamonds per kg.) and demonstrates the high degree of variability between results that small samples provide.

Detail test work has not been completed however these preliminary results are starting to show some consistency. The xenolithic material (composed of talcose, actinolite nodules, varying in size from a few millimeters in diameter up to one meter in diameter) thus far appears to have a much higher diamond content than the host fine grained matrix. If this observation prevails through the processing of the five-tonne mini-bulk samples then a cost effective mineral processing system that recovers diamonds from this particular host rock will easily evolve.

The samples reported herein were individually bagged and sealed by James Burns P.Eng., an Independent Qualified Person, and delivered by a bonded carrier to the Kennecott Canada Exploration Inc. Mineral Processing Laboratory in Thunder Bay, Ontario where the samples are undergoing micro diamond recovery and observation (MDoB) using Caustic Fusion followed by microscopic examination for micro diamonds, from various sieve sizes of the caustic fusion product. Only those diamonds that were captured on a 0.15 mm sieve or greater were collected and reported. The two mini-bulk samples will be processed at Lakefield's diamond processing laboratory in Lakefield, Ontario.

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