
KWG RESOURCES INC.

PRESS RELEASE

**KWG ANNOUNCES RESUMPTION OF DRILLING - McFAULD'S LAKE AREA, NORTHERN ONTARIO
FIRST HOLE INTERSECTS 36 METRES OF MASSIVE SULPHIDE MINERALIZATION**

Montréal, Québec - January 26, 2004 - **KWG RESOURCES INC.** ("KWG") (TSX-V: KWG) and joint venture partner, Spider Resources Inc. ("Spider") announce that exploration drilling has been resumed on the McFauld's Lake volcanogenic massive sulphide ("VMS") property.

The current drilling is on the third base metal discovery within the joint venture claims, locally referred to as the McFauld's #3 occurrence. The first hole of the current drill program has cut a 36-metre section (true thickness) of the main mineralized zone approximately 50 metres above the initial discovery hole (McF-03-18 first reported October 14, 2003) that intersected a 42-metre section of massive sulphides at a vertical depth of 125 metres. The hole is now being logged, split and the samples will be sent for assay. The drill has now been moved to drill a new hole on the same section that is targeted to under cut the mineralization 50 metres below the initial intercept (in hole McF-03-18) to test the depth extent of the zone.

It is anticipated that 8 – 10 strategically positioned drilled holes will be completed on McFauld's #3 as part of this program. The drill hole locations are being located using the additional ground geophysics (MaxMin and Magnetics) that has been completed over the McFauld's #3 grid. The mineralized gradient (thickness and percentage various sulphides) will be observed and plotted, in an attempt to locate the main vent structure(s) of this new VMS target.

The joint venture partners staked additional claims in late summer - fall of 2003, bringing the total number of contiguous claims held by the joint venture to 78 claims, totaling 1140 – 16 hectare units or 18,240 hectares (182.4 square kilometres) covering the only drill confirmed base metal discoveries in this new VMS camp. In addition, and as a result of the recent public release of detailed aeromagnetic survey data of the area by the Ontario Ministry of Northern Development and Mines in late November 2003, the joint venture initiated an aggressive staking campaign covering the magnetically rendered (interpreted) greenstone belt to the south and west of the main McFauld's Lake discovery area. An additional 896 units of 16 hectares each, covering 14,336 hectares (143.36 square kilometres) has been staked. The KWG/Spider joint venture now encompasses in excess of 325 square kilometres covering much of this new base metal greenstone belt, representing the largest land package(s) in the area.

As previously announced, the joint venture has received an influx of capital amounting to \$2.0 million from Diagem International Resource Corp. ("Diagem"), as part of their earn-in to the joint venture. Once these funds have been expended, Diagem will have earned an 8% interest in the joint venture, however this 8% Diagem interest can be converted at the request of any of the parties into an equity interest in KWG and Spider.

KWG is a junior mining exploration company quoted for trading on the TSX Venture Exchange under the trading symbol "KWG". KWG currently has 95,983,751 issued and outstanding common shares and no outstanding long-term debt.

FOR FURTHER INFORMATION, PLEASE CONTACT:**MICHAEL NEWBURY, President and Chief Executive Officer****Telephone: (416) 487-4637****MAURICE MONTPETIT, Investors Relation****Telephone: (514) 987-7263**Or visit our website: WWW.KWG-RESOURCES.COM

**THE TSX VENTURE EXCHANGE HAS NOT REVIEWED AND DOES NOT ACCEPT RESPONSIBILITY
FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE.**