PRESS RELEASE

No 26

KWG

Symbol on TSX-Venture Exchange: KWG
Shares issued and outstanding: 288,134,821

MINERAL EXPLORATION COMPANY KWG ENTERS INTO AN OPTION AGREEMENT WITH CLIFFS NATURAL RESOURCES INC.

Montréal, Canada – January 21, 2009 – **KWG Resources Inc. ("KWG"** or the "Company"**) (TSXV: KWG; OTCBB: KWGBF)** is pleased to announce that it has entered into a an option agreement (the "**Option Agreement**") with **Cliffs Natural Resources Inc. ("Cliffs") (NYSE: CLF)** an Ohio Corporation. The Option Agreement grants Cliffs an irrevocable option (the "**Option**") to purchase and acquire certain securities of KWG in the aggregate amount of US$3,500,000.

KWG indicated that Cliffs has expressed interest in KWG's potential claims to ferro chrome deposits and that the Option Agreement provides that Cliffs will not participate in any distribution by KWG of the equity of Debuts Diamonds Inc.

Under the Option Agreement, in consideration of Cliff's payment of US$150,000, Cliffs may subscribe for 50,448,987 units of KWG (each a "**Unit**"), such number being equal to 14.9% of the number of outstanding common shares of KWG (the "**Common Shares**") as at the date of execution of the Option Agreement (the "**Execution Date**") after giving effect to the issuance of the Units, at a subscription price of US$0.048893 per Unit (the "**Subscription Price**"). Each Unit will be comprised of one (1) Common Share and approximately 0.44 of a non-transferable Common Share purchase warrant of KWG (each such whole common share purchase warrant, a "**Warrant**"), such that the total number of Warrants to be issued will equal 22,224,784 Warrants or 14.9% of the aggregate number of warrants, options and other rights to purchase or obligations to issue Common Shares outstanding (the "**Outstanding Options**") as at the Execution Date, after giving effect to the issuance of the Units. Each Warrant will entitle Cliffs to purchase one (1) Common Share at US$0.05 during the first year after issuance thereof and US$0.10 thereafter and will be exercisable for an agreed-upon period following the issuance by KWG of 5 Common Shares upon the exercise of the Outstanding Options, and, in any event, will terminate no later than the fifth anniversary of the date of issuance of the Warrants.

In the event the Option is exercised, Cliffs will also purchase a secured convertible debenture of KWG (the "**Debenture**") in a principal amount of approximately US$1 million**,** such amount being equal to the difference between US$3.5 million and the aggregate Subscription Price payable for the Units described above. The Debenture will be non-transferable and non-interest bearing, and will not be convertible unless and until all conditions prescribed by the TSXV, including the approval of the shareholders of KWG to the issuance of the Units upon conversion of the Debenture to be obtained in accordance with the policies of the TSXV (the "**Shareholder Approval**"), have been satisfied or waived. In the event that all of such conditions have not been satisfied or waived on or before April 15, 2009, Cliffs will have the right to demand repayment thereof, in which event KWG shall also pay to Cliffs a credit facility termination fee of

US$50,000 (the “**Termination Fee**”) provided, however that if the Shareholder Approval is not obtained, KWG shall immediately repay, in full, the principal amount of the Debenture and pay to Cliffs the Termination Fee.

Upon satisfaction or waiver of such conditions, all of the principal amount of the Debenture will be converted automatically and without any further action on the part of KWG or Cliffs into Units at the rate of US$0.048894 per Unit resulting in a further issuance to Cliffs of 21,135,069 Units comprised of 21,135,069 Common Shares and 9,310,839 Warrants. The security to be granted by KWG will be comprised of cash in an amount equal to the principal amount of the Debenture plus the amount of the Termination Fee to be held by a security agent to be mutually selected by KWG and Cliffs.

As a condition to Cliffs’ exercise of the Option for the Units and its purchase of the Debenture, KWG will enter into a subscription agreement and a shareholder agreement.

In the event the Option is exercised and the conditions set forth above have been satisfied or waived, the number of Common Shares comprising the Units and issuable upon the conversion of the Debenture and the exercise of the Warrants (including the Warrants issuable upon the conversion of the Debenture) will total 103,119,679 Common Shares.

About Cliffs Natural Resources Inc.

Cliffs Natural Resources is an international mining company, the largest producer of iron ore pellets in North America and a major supplier of metallurgical coal to the global steelmaking industry. The Company operates six iron ore mines in Michigan, Minnesota and Eastern Canada, and three coking coal mines in West Virginia and Alabama. Cliffs also wholly-owns Portman Limited, a large iron ore mining company in Australia, serving the Asian iron ore markets with direct-shipping fines and lump ore. In addition, the Company has a 30% interest in the Amapá Project, a Brazilian iron ore project, and a 45% economic interest in the Sonoma Project, an Australian coking and thermal coal project.

About KWG Resources Inc.

KWG Resources is a mineral exploration company with extensive claim holdings in the James Bay Lowlands of Northern Ontario, Canada, where important discoveries of nickel and chrome have been made recently in the so-called *Ring of Fire.* KWG has an equal joint venture interest in a large claim block in the central part of the discovery area, with **Spider Resources Inc. (TSXV: SPQ)**.

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Forward Looking Information:

This press release contains certain "forward-looking statements". All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements relating to the exercise of the Option) are forward-looking statements. These forward-looking statements reflect the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include among other things, the failure to enter into the Option Agreement and delays in obtaining or failures to obtain required TSXV approval. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guaranteed of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.