

PRESS RELEASE

No 18

KWG RESOURCES INC.

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Montréal, Québec H3B 1S6

Symbol on TSX-Venture: **KWG**
Shares issued and outstanding: **97,530,751**
Closing price on July 27, 2004: **\$0.15**

- KWG AND SPIDER DISCUSS MERGER
- JOINT VENTURE FUNDING OF \$3.0 MILLION FOR SUMMER PROGRAM COMPLETED
 - DRILLING HAS RESUMED ON THE McFAULD'S AND MACFADYEN PROJECTS

Montréal, Québec – July 28, 2004 - **KWG RESOURCES INC.** (the “Company” or “KWG”) and joint venture partner (the “Joint Venture”), Spider Resources Inc., announce that they have had extensive discussions concerning the merger of the two companies, subject to completion of definitive agreements, as well as shareholder and regulatory approval. Since both companies have a similar asset base, which is reflected in their relative market valuations, and thus it is logical and appropriate to merge both companies. The final share exchange ratio will be set subject to completion of the Joint Venture accounting and other adjustments.

In other news, the Joint Venture partners have agreed separately to a flow-through financing facilitated by Dundee Securities Corporation for an aggregate amount of \$3,000,000 (\$1,500,000 to each partner) in two tranches. The first tranche for KWG consists of 3,333,334 common shares at a price of \$0.15 per share. The agent will receive a fee equal to 7% of the funds raised and warrants to purchase common shares equal to 10% of the number of flow-through shares sold. The terms of the second tranche will be announced when the funds are requested. These funds will be used by the joint venture to conduct further drilling and exploration on the McFauld's VMS deposit and the MacFadyen diamond project.

The boards of directors of both companies have approved in principle the decision to merge believing that this arrangement will create greater value for their respective shareholders in light of the excellent exploration results obtained over the past 18 months on the McFauld's Lake Volcanogenic Massive Sulphide (“VMS”) deposits and the more recent drilling on the MacFadyen diamond project.

For example, the last drill hole in the winter drilling program (hole number McF-04-41 – previously announced) intersected **8.0 meters** of massive sulphide that averaged **6.5% Cu, 3.45% Zn, 0.42 g/t Au and 15.5 g/t Ag**. This mineralized section was in an **18.05 meter** wider zone that averaged **3.3% Cu, 1.6% Zn, 0.25 g/t Au and 8.2 g/t Ag**. This intersection is located down-plunge and along strike from previously announced holes McF-04-21 that averaged **5.5% Cu over 13.8 meters**, and McF-04-22, **4.06 % Cu over 15 meters**.

Finally, last week drilling resumed on both the McFauld's Lake VMS project and the MacFadyen diamond project. At present, there are two complete drill crews, two helicopters and two project geologists on site, at the McFauld's Lake base camp.

The main focus of the summer program will be on the McFauld's #3 which ore body remains open along strike and down plunge. The objective will be to add better definition to the zone in order to calculate grade and tonnage of a resource or a reserve. Within the Joint Venture property other drill holes completed this past winter, detected a number of economically significant mineralized zones that require follow up confirming that the McFauld's VMS geological environment has additional potential.

Drilling of magnetic anomalies on the MacFadyen project peripheral to known diamond bearing kimberlite pipes last winter identified three new kimberlites that are diamond bearing and warrant further drill testing. Drilling on a deep-seated magnetic target was interrupted by spring break-up. The Joint Venture partners left the drill site with drill rods in the last hole, 120 meters from the target. This target's magnetic profile of a dike-like structure runs the full length of the Joint Venture property and is within 1.5 kilometers of De Beers' Tango and Tango Extension kimberlites all of which are within 8 kilometers of De Beers Victor Mine project.

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