Preliminary Prospectus dated October 30, 1997

NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.

THIS PROSPECTUS CONSTITUTES A PUBLIC OFFERING OF THESE SECURITIES ONLY IN THOSE JURISDICTIONS WHERE THEY MAY BE LAWFULLY OFFERED FOR SALE AND, THEREIN ONLY BY PERSONS PERMITTED TO SELL SUCH SECURITIES.

THIS IS A PRELIMINARY PROSPECTUS RELATING TO THESE SECURITIES, A COPY OF WHICH HAS BEEN FILED WITH THE SECURITIES COMMISSION OR REGULATORY AUTHORITY IN THE PROVINCE OF ONTARIO AND THE PROVINCE OF QUEBEC, BUT WHICH HAS NOT YET BECOME FINAL FOR THE PURPOSE OF A DISTRIBUTION TO THE PUBLIC. INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. THESE SECURITIES MAY NOT BE SOLD, NOR MAY OFFERS TO BUY BE ACCEPTED FROM, RESIDENTS OF SUCH PROVINCES PRIOR TO THE TIME A RECEIPT IS OBTAINED FOR THE FINAL PROSPECTUS FROM THE APPROPRIATE SECURITIES COMMISSIONS OR OTHER REGULATORY AUTHORITY OF SUCH PROVINCES.

New issue

$2,500,000 (Maximum)

Up to 2,500 Units

DIANOR RESOURCES INC.

(a mining exploration company)

PRICE:	$1,000 per A Unit $1,000 per B Unit	MINIMUM SUBSCRIPTION:	5 A Units 5 B Units

This offering relates to a maximum offering of $2,500,000 and a minimum offering of $625,000 and includes the issuance of the following securities, which the investor may subscribe for separately:

I - The issuance of a maximum of 2,000 A Units and a minimum of 688 A Units of Dianor Resources Inc. (“Dianor” or the “Company”) at a price of $1,000 per Unit. Each A Unit is comprised of (i) ● common flow-through shares (the “Flow-Through Shares”) of Dianor for a total consideration of $800 and (ii) ● common shares of Dianor for a total consideration of $200.

Dianor will use the total proceeds from the sale of the Flow-Through Shares included in the A Units, namely $1,600,000 in the event the maximum number of A Units is subscribed and $550,000 in the event the minimum number of A Units is subscribed, to incur, prior to December 31, 1998, Canadian exploration expenses (“CEE”) qualifying for a 175% deduction for Quebec income tax purposes and a 100% deduction for federal income tax purposes with respect to mining exploration work carried out on the Adanac, Blondeau and Fournière Properties all located in Quebec, in which Dianor owns interests. See “Use of Proceeds”.

The proceeds from the sale of the common shares included in the A Units, namely $400,000 in the event the maximum number of A Units is subscribed and $137,500 in the event the minimum number of A Units is subscribed, shall be added to the working capital of Dianor and shall be used in part to pay the Agent’s commission for the sale of the A Units and to pay part of the expenses of issue of this offering. See “Use of Proceeds”.

II - The issuance of a maximum of 500 B Units and a minimum of 188 B Units of Dianor at a price of $1,000 per Unit. Each B Unit is comprised of (i) ● Flow-Through Shares of Dianor for a total consideration of $800 and (iv) ● common shares of Dianor for a total consideration of $200.

Dianor will use the total proceeds from the sale of the Flow-Through Shares included in the B Units, namely $400,000 in the event the maximum number of B Units is subscribed and $150,000 in the event the minimum number of B Units is subscribed, to incur, prior to December 31, 1998, CEE qualifying for a 100% deduction for federal and provincial income tax purposes with respect to mining exploration work carried out on the Sister Pond and Split Ponds Properties both located in Newfoundland, in which Dianor owns interests. See "Use of Proceeds".

The proceeds from the sale of the common shares included in the B Units, namely $100,000 in the event of the maximum number of B Units is subscribed and $37,500 in the event the minimum number of B Units is subscribed, shall be added to the working capital of Dianor and shall be used in part to pay the Agent's commission for the sale of the B Units and to pay part of the expenses of issue of this offering. See "Use of Proceeds".

The price of the Units has been determined by way of negotiations between Dianor and the Agent.

The Flow-Through Shares and common shares will be issued at a price of $● per share. An individual minimum subscription of five A Units or five B Units is required.

The common shares of Dianor are listed on the Montreal Exchange. On October 29, 1997, the closing price of the common shares was $0.70.

Tax Deductions

Subject to the conditions set forth under the heading "Income Tax Considerations", subscribers of A Units who are individuals with sufficient income and who are liable to pay income tax in the Province of Quebec may claim in 1997 a deduction equal to 175% for Quebec income tax purposes and equal to 100% for federal income tax purposes of the subscription price of the Flow-Through Shares for the CEE incurred in Quebec and renounced to them by Dianor.

Furthermore, subject to the conditions set forth under the heading "Income Tax Considerations", subscribers of B Units who are individuals with sufficient income and who are liable to pay income tax in Canada may claim in 1997 for federal and provincial income tax purposes a deduction equal to 100% of the subscription price of the Flow-Through Shares for the CEE incurred and renounced to them by Dianor.

The Units offered hereunder are of a speculative nature. The Units are more suitable for persons whose income is subject to high marginal income tax and who can accept the risks associated with the holding of shares of a company dealing in the exploration and development of mining properties. There is no guarantee that there will be commercial exploitation of the Properties financed with the net proceeds of this offering or that commercial quantities of ore will be discovered on such Properties. Investors will be subject to a dilution of $● (●%) per share in the case of the maximum offering, and $● (●%) per share in the case of the minimum offering. See "Risk Factors" and "Dilution".

PRICE:	**$1,000 per A Unit** **$1,000 per B Unit**

	Number of Units				
	Maximum	Minimum	Price to public	Agent's Commission	Net Proceeds to Dianor (1)
Per A Unit (2)	2,000	688	$ 1,000	$ 90	$ 910
Per B Unit	500	188	$ 1,000	$ 90	$ 910
Maximum Offering			$2,500,000	$225,000	$2,275,000
Minimum Offering (3) (4) . . .			$ 625,000	$ 56,250	$ 568,750

(1) Before deducting expenses of issue of this offering estimated at $●. See "Use of Proceeds".
(2) For each A Unit and B Unit, an amount of $800 was attributed to the Flow-Through Shares and $200 to the common shares of Dianor.
(3) The minimum offering of $625,000 may be entirely comprised of A Units or both A Units and B Units.
(4) The proceeds from subscriptions will be received by the Agent or such other broker authorized by the Agent for deposit with Montreal Trust Company, in trust, pending each closing. If the minimum offering is not subscribed for by December 31, 1997, at the latest, the amounts received will be returned to subscribers as soon as possible after such date, without interest or deduction.

We, as Agent, conditionally offer the A Units and the B Units, if, as and when the securities comprising such Units are issued and delivered by Dianor and accepted by the Agent in accordance with the conditions contained in the Agency Agreement referred to under "Plan of Distribution", and subject to the approval of certain legal matters on behalf of Dianor by de Grandpré, Chaurette, Lévesque, a general partnership, and on behalf of the Agent by Ménard Mageau Valiquette, g.p.

Subscriptions will be received by Dianor subject to rejection or allotment in whole or in part and subject to the right to close the subscription books at any time without notice. It is expected that the initial closing of this offering will take place on or about ●, 1997, or at any other later date they may agree upon, but no later than December 31, 1997. If the minimum offering is subscribed for on or before ●, 1997 or at any other date, additional closings may take place at any time thereafter until December 31, 1997. Certificates evidencing the shares included in the A Units and B Units subscribed will be available for delivery to subscribers within thirty (30) days from each closing of this offering.

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HOW TO SUBSCRIBE FOR UNITS

An investor who wishes to subscribe for A Units or B Units of Dianor must:

(a) complete and sign the subscription form attached hereto as Schedule A;

(b) submit a cheque made payable to Montreal Trust Company, representing the total subscription price, the minimum subscription being five A Units or five B Units; and

(c) forward the cheque and subscription form to the Agent or any other broker authorized by the Agent for deposit with Montreal Trust Company.

No cheques will be cashed prior tot he initial closing date. Subscriptions to A Units or B Units in excess of the minimum subscription may only be made in multiples of $1,000.

SUMMARY OF THE OFFERING

The following is a summary only and is qualified in its entirety by the more detailed information appearing elsewhere in this prospectus.

Issuer:	DIANOR RESOURCES INC. ("Dianor")
Offering:	A maximum of 2,000 A Units and a minimum of 688 A Units at a price of $1,000 per Unit. Each A Unit is comprised of (i) ● Flow-Through Shares of Dianor for a total consideration of $800 and (ii) ●common shares of Dianor for a total consideration of $200. A maximum of 500 B Units and a minimum of 188 B Units at a price of $1,000 per Unit. Each B Unit is comprised of (i) ● Flow-Through Shares of Dianor for a total consideration of $800 and (ii) ●common shares of Dianor for a total consideration of $200.
Amount of the Offering:	$2,500,000 in the event of the maximum offering and $625,000 in the event of the minimum offering.
Price:	$1,000 per A Unit and $1,000 per B Unit.
Minimum Subscription:	Five A Units or five B Units per subscriber ($5,000). Subscriptions in excess of the minimum subscription may only be made in multiples of $1,000.
Business of Dianor:	Since its inception, the business of Dianor has consisted in the acquisition, exploration and development of mining properties. Dianor holds interests in a number of exploration properties in the Province of Quebec, in the Northern Territories and in Newfoundland on which it is currently conducting exploration work. Dianor also holds a 100% interest in a property located in Peru. Dianor does not exploit any mines nor has any direct or indirect interests in a mine.
Use of Proceeds:	Dianor will use the total proceeds from the sale of the Flow-Through Shares included in the A Units, namely $1,600,000 in the event the maximum number of A Units is subscribed and $550,000 in the event the minimum number of A Units is subscribed, to incur, prior to December 31, 1998, Canadian exploration expenses ("CEE") qualifying for a 175% deduction for Quebec income tax purposes and a 100% deduction for federal income tax purposes with respect to mining exploration work carried out on the Adanac, Blondeau and Fournière Properties all located in Quebec, in which Dianor owns interests. See "Use of Proceeds". The proceeds from the sale of the common shares included in the A Units, namely $400,000 in the event the maximum number of A Units is subscribed and $137,500 in the event the minimum number of A Units is subscribed, shall be added to the working capital of Dianor and shall be used in part to pay the Agent's commission for the sale of the A Units and to pay part of the expenses of issue of this offering. See "Use of Proceeds". Dianor will use the total proceeds from the sale of the Flow-Through Shares included in the B Units, namely $400,000 in the event the maximum number of B Units is subscribed and

$150,000 in the event the minimum number of B Units is subscribed, to incur, prior to December 31, 1998, CEE qualifying for a 100% deduction for federal and provincial income tax purposes with respect to mining exploration work carried out on the Sister Pond and Split Ponds Properties both located in Newfoundland. See "Use of Proceeds".

The proceeds from the sale of the common shares included in the B Units, namely $100,000 in the event the maximum number of B Units and $37,500 in the event the minimum number of B Units is subscribed, shall be added to the working capital of Dianor and shall be used in part to pay the Agent's commission for the sale of the B Units and to pay part of the expenses of issue of this offering. See "Use of Proceeds".

Risk Factors: An investment in the securities of Dianor involves a high degree of risk. Subscribers should carefully consider the risk factors set out under "Risk Factors" in evaluating an investment in Dianor. These risk factors include, inter alia, (i) the risks associated with the holding of shares of a company involved in the mining industry, including environmental hazards; (ii) the fact that mining exploration and development activities are subject to governmental regulations and high competition; and (iii) the fact that mining properties in Canada may be subject to aboriginal rights claims. See "Risk Factors".

Indemnification of Subscribers: If all the proceeds from the sale of the Flow-Through Shares included in the A Units and B Units are not used to incur CEE before January 1, 1999 or do not qualify as CEE, Dianor has undertaken to hold harmless and indemnify the subscribers for all taxes, penalties and interest thereon.

DEDUCTIONS AND ESTIMATED TAX SAVINGS

The following table sets forth for each A Unit the breakdown of deductions available to subscribers who are resident of the Province of Quebec as at December 31, 1997 and the estimated tax savings resulting therefrom. This table is based on the assumption that (i) all conditions required by the Income Tax Act (Canada) (the *Federal Act*) and the Taxation Act (the *Quebec Act*) as summarized under "Income Tax Considerations" are satisfied, (ii) the proceeds from the subscription to the Flow-Through Shares are used to incur qualifying CEE before January 1, 1999 and that (iii) the CEE incurred is admissible for the supplementary deduction and the additional deduction available under the *Quebec Act*.

Per $ A Unit	**FEDERAL**	**QUEBEC**	**TOTAL**
Investment			$1,000
CEE	$800	$1,400	
Income Tax Rate (1)	26.54%	26.48%	53.02%
1997 Tax savings (2)	$212.32	$370.72	$583.04
After Tax Cost			$416.96

(1) Assuming for 1997 a maximum marginal tax rate of 53.02% for Quebec residents.
(2) Tax benefits may be limited by the minimum tax. See "Income Tax Considerations".

The following table sets forth for each B Unit the breakdown of deductions available to subscribers who are residents of the Province of Ontario as at December 31, 1997 and the estimated tax savings resulting therefrom. This table is based on the assumption that (i) all conditions required by the *Federal Act* as summarized under "Income Tax Considerations" are satisfied and (ii) the proceeds from the subscription to Flow-Through Shares is used to incur qualifying CEE before January 1, 1999.

Per $ B Unit	**TOTAL**
Investment	$1,000
CEE	$800
Income Tax Rate(1)	51.64%
Tax Savings 1997(2)	$413.12
After-Tax Cost	$586.88

(1) Assuming for 1997 a maximum marginal tax rate of 51.64% for Ontario residents.
(2) Tax benefits may be limited by the minimum tax. See"Income Tax Considerations".

The following table sets forth the income tax considerations resulting from the sale by subscribers in 1998 of the shares comprised in the A Units of the Company held as capital property by taxpayers who are individuals residing in the Province of Quebec as at December 31, 1998, assuming that each subscriber receives $● per share sold (equivalent to the subscription price). The budget tabled at the National Assembly on March 25, 1997 provides that the maximum provincial income tax rate will be decreased to 26.08% for the 1998 taxation year and thereafter.

A Units	**Exempted Capital Gain in Quebec(2)**	**Capital Gain in Quebec(3)**
Market value of Units sold (1)	$1,000.00	$1,000.00
Less after-tax cost	$416.96	$416.96
Profit before Tax on Capital Gains	$583.04	$583.04
Less Tax on Capital Gains	$190.54	$315.72
Profit after Tax on Capital Gain	$392.50	$267.32
% of after-tax profit on investment	39.25%	26.73%

(1) Assuming that subscribers do not hold shares other than the shares comprised in the Units.

(2) The *Quebec Act* provides for a temporary exemption applicable for capital gains from the sale of flow-through shares. This exemption is granted through a special account comprising three-quarters (3/4) of CEE incurred in Quebec qualifying for the additional deduction of 25% which a corporation has renounced in favour of the shareholder. Taxpayers will be entitled to reduce taxable capital gains by an amount equal to the lower of the taxable capital gain and the balance remaining in the account. All amount so used will decrease the balance remaining in the account and all new deductions for CEE incurred in Quebec will increase the balance. **This exemption does not apply to common shares but only to flow-through shares.** For Quebec tax purposes, the amount of capital gain tax is calculated by multiplying the taxable capital gain of $600 ($800 x 75%) less the special account exemption of $480 ($800 x 800/1,000 x 75%), namely $120 by the maximum marginal income tax rate for 1998 of 26.08%. For Federal tax purposes, the amount of capital gain tax is calculated by multiplying the taxable capital gain of $600 ($800 x 75%) by the maximum marginal income tax rate for 1998 of 26.54%.

(3) The capital gain tax is calculated by multiplying the taxable capital gain of $600 ($800 x 75%) by the maximum marginal income tax rate for 1998 of 52.62%.

The following table sets forth the income tax considerations resulting from the sale in 1998 of shares comprised in the B Units of the Company held as capital property by taxpayers who are individuals residing in the Province of Ontario as at December 31, 1998, assuming that each subscriber receives $● per share sold (equivalent to the subscription price).

B Units	TOTAL
Market value of Units sold [(1)]	$1,000.00
Less after-tax cost	$586.88
Profit before Tax on Capital Gain	$413.12
Less Tax on Capital Gain [(2)]	$309.84
Profit after Tax on Capital Gain	$102.28
% of after-tax profit on investment	10.23%

(1) Assuming that subscribers do not hold shares other than the shares comprised in the Units.
(2) The capital gain tax is calculated by multiplying the taxable capital gain of $600 ($800 x 75%) by the maximum marginal income tax rate for 1998 of 51.64%.

THESE INCOME TAX CONSEQUENCES WILL NOT BE THE SAME FOR ALL SUBSCRIBERS BUT MAY VARY. EACH SUBSCRIBER SHOULD OBTAIN INDEPENDENT ADVICE REGARDING THE INCOME TAX CONSEQUENCES UNDER FEDERAL AND QUEBEC TAX LEGISLATION OF SUBSCRIBING FOR UNITS, BASED ON SUCH SUBSCRIBER'S OWN PARTICULAR CIRCUMSTANCES.
(See “Income Tax Considerations”.)

THE ABOVE TABLES ARE, THEREFORE, OF A GENERAL NATURE ONLY AND ARE NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL THE INCOME TAX CONSEQUENCES OF SUBSCRIBING FOR UNITS IN THE COMPANY AND SHOULD NOT BE INTERPRETED AS LEGAL OR TAX ADVICE TO ANY PARTICULAR SUBSCRIBER.

DIANOR

Dianor was incorporated on July 20, 1987 under the provisions of Part IA of the *Companies Act* (Quebec) under the name “RESSOURCES KIMEX INC.”. Articles of Amendment were issued on June 1, 1993 to change its name to “RESSOURCES DIANOR INC. and to consolidate its capital on the basis of ten (10) shares for one new share. Articles of amendment were issued on August 27, 1997, to add the English version of its name, “DIANOR RESOURCES INC.”.

The head office of Dianor is located at 1155 University Street, Suite 712, Montreal, Quebec, H3B 3A7.

BUSINESS OF DIANOR

Since its inception, the business of Dianor has consisted in the acquisition, exploration and development of mining properties. Dianor holds interests in a number of exploration properties in the Province of Quebec, in the Northern Territories and in Newfoundland on which it is currently conducting exploration work. Dianor also holds a 100% interest in a property located in Peru. Dianor does not exploit any mines nor has any direct or indirect interests in a mine.

PROPERTIES

General

The properties on which Dianor will use the proceeds from the sale of the Flow-Through Shares included in the Units are described below.

Titles to the Properties

Adanac Property

Pursuant to a formal agreement entered into between Dianor and Société minière Ecudor inc. (“Ecudor”) on February 25, 1997, Dianor acquired from Ecudor all of its interests in 51 mining claims located on the Adanac Property in consideration for the following: (i) the assignment by Dianor to Ecudor of its 50% interest in the Granada-West Property, (ii) the issuance to Ecudor of 150,000 common shares (which were all issued to Ecudor); and (iii) the granting to Ecudor of a 1% net smelter return royalty.

Blondeau Property

Pursuant to an agreement entered into between Dianor and Exploration Carat Inc. (“Carat”) on April 8, 1996, Dianor acquired from Carat all of its interests in 50 mining claims located on the Blondeau Property in consideration for the following: (i) the issuance to Carat of a total of 40,000 common shares during a period of four years (of which 10,000 common shares were issued to Carat); (ii) the payment, during a period of four years, to Carat of a total amount of $45,000; and (iii) the granting to Carat of a 2% net smelter return royalty. Furthermore, Dianor will have to incur, during a period of two (2) years, exploration work for a total amount of $145,000.

Fournière Property

Pursuant to an agreement entered into between Dianor and Mike Lavoie (“Lavoie”) on March 20, 1997, Dianor acquired from Lavoie all of its interests in 5½ mining claims located on the Fournière Property in consideration for the following: (i) the payment to Lavoie of an amount of $10,000; (ii) the issuance to Lavoie of 100,000 common shares; and (iii) the granting to Lavoie of a 2% net smelter return royalty.

Sister Pond Property

Pursuant to an agreement entered into between Dianor and Noveder Inc. ("Noveder") on April 4, 1996, Dianor acquired from Noveder the option to acquire a 50% interest in 15 mining claims located on the Sister Pond Property in consideration for the following: (i) the payment during a period of three years, to Noveder of a total amount of $40,000; (ii) the issuance to Noveder of a total of 225,000 common shares during a period of three years (of which 50,000 common shares were issued to Noveder); and (iii) the granting to the previous owner of a 1½% net smelter return royalty. Furthermore, Dianor will have to incur, during a period of three years, exploration work for a total amount of $450,000.

Split Ponds Property

Pursuant to an agreement entered into between Dianor and Noveder on April 4, 1996, Dianor acquired from Noveder the option to acquire a 50% interest in 9 mining claims located on the Split Ponds Property in consideration for the following: (i) the payment during a period of three years, to Noveder of a total $20,000; (ii) the issuance to Noveder of a total of 112,500 common shares during a period of three years (of which 25,000 common shares were issued to Noveder); and (iii) the granting to the previous owner of a 2% net smelter return royalty. Furthermore, Dianor will have to incur, during a period of three years, exploration work for a total of $225,000.

SUMMARY - ADANAC PROPERTY

The following summary was prepared from the "Qualification Report, Adanac Property, Rouyn Township" written by J. P. Huertas, B.Sc., Geol. and D. Gaudreault, Eng., Geol. consultants for Geologica Groupe-Conseil.

Property, Location and Access

The property is located some 10 km southeast of Rouyn-Noranda, in Abitibi, Quebec and consists of 51 contiguous claims for a total surface of 1,632 hectares. It covers lots 44 to 54 of range II, the southern half of lots 41 to 42 and lots 43 to 56 of range III, lots 45 to 58 of range IV and the southern part of lots 50 and 51 of range V in Rouyn Township.

Access to the property is possible from Rouyn-Noranda via Highway 117 up to the village of McWatters. From there, a road from the village crosses the centre of the property at ranges IV and III and then goes on westward. Numerous trails allow access to various parts of the property.

Exploration History

Previous work carried out on the property was concentrated on 3 main zones. The Clerno II Zone in the north, the Tourmaline Zone and its eastern extension and the Adanac Shaft Zone. Initial exploration and development work started in 1924 with the discovery of gold-bearing quartz veins. Development work peaked in 1937 with the sinking of a shaft to a depth of 51.5 m on the Clerno II Zone and the sinking of a second shaft to the depth of 152 m on the Adanac Shaft Zone. Subsequent work consisted of additional surface exploration work to extend known mineralized zones and to define new auriferous structures.

Clerno II Zone

In 1993 and 1994, Dianor Resources Inc. carried out line cutting, magnetic and electromagnetic geophysical surveys, geological mapping and compilation of previous work.

Tourmaline Zone

In 1993 and 1994, the company carried out line cutting as well as geophysical work consisting of magnetic, electromagnetic and induced polarization surveys. Some samples were taken on the Lemire showing and a grab sample returned an assay of 25.75 g/t Au.

In 1994 and 1995, Dianor Resources Inc. drilled 13 holes for a total of 856.24 m. Hole A-95-35 returned a value of 1.92 g/t Au over 1.1 m. A value of 1.15 g/t Au over a length of 8.3 m was intersected in hole A-95-40.

In January and February of 1996, Dianor Resources Inc. executed 6 diamond drill holes totalling 1,055.3 m. The best intersection was 4.8 g/t Au over a width of 2.8 m in hole A-96-44.

During the summer of 1996, the Company established a grid consisting of north-south lines at a spacing of 100 metres in range IV. Geophysical work consisting of magnetic and electromagnetic (V.L.F. and HEM) surveys was performed.

In October 1996, the company carried out a diamond drilling program consisting of five holes for a total of 1,219.2 m. This program was completed to verify the strike extensions of a zone intersected in hole A-96-44 which previously returned 4.8 g/t Au over a length of 2.8 m. Four of the five holes intersected significant mineralization. The best intersections were 10.6 g/t Au over 2.43 m in hole DA-96-50 and 16.07 g/t Au over 0.91 m in hole DA-96-52.

In February 1997, the company drilled an additional 6 holes for a total of 1,219.20 m. Four new auriferous zones were defined as a result of this last program. These zones remain open to the southwest and the northeast. The results of the fall 1996 and winter 1997 programs are listed below.

<u>1996 and 1997 Drill Hole Results</u>

Hole	**From (metres)**	**To (metres)**	**Length (metres)**	**Grade (g/t Au)**
DA-96-49	100.89	101.80	0.91	5.23
DA-96-50	68.58	71.02	2.44	10.6
DA-96-52	40.23	41.15	0.92	3.87
	73.76	74.68	0.92	16.07
	83.82	84.43	0.61	9.27
	173.28	173.74	0.46	4.70
DA-96-53	81.69	82.30	0.61	7.97
DA-97-55	24.08	24.69	0.61	2.73
	53.64	54.55	0.91	4.63
	58.67	59.58	0.91	18.67
	67.67	69.80	2.13	5.47
DA-97-56	72.54	73.76	1.22	2.87
DA-97-57	52.43	54.25	1.82	13.57
DA-97-58	166.42	166.73	0.31	3.83

Adanac Shaft Zone

In 1993 and 1994, Dianor Resources Inc. carried out line cutting as well as geophysical work consisting of magnetic, electromagnetic and induced polarization surveys.

During the summer of 1996, geophysical work consisting of magnetic and electromagnetic (V.L.F. and HEM) surveys was performed in the western portion of ranges III and IV. One hole was drilled close to the Adanac shaft in February of 1997. A value of 1.17 g/t Au over 1.0 m was obtained.

Regional Geology

The property is located at the south end of the orogenic Abitibi sub-province of the Superior Province. The area is underlain by volcanic and sedimentary rocks locally cut by intrusive rocks.

The Cadillac-Larder Lake fault crosses the region and displays an east-west strike orientation. The fault marks the boundary between volcanics of the Blake River Group to the north and Temiscaming and Pontiac sedimentary units to the south. Numerous gold mines and countless gold showings are associated with this structure which is located about 1 km north of the property.

The rocks are metamorphosed to the green schist facies. Diabase dykes of Proterozoic age cut all the rock units.

Property Geology

The bedrock of the property consists of Pontiac and Temiscaming sediments. The north part of the property is underlain by sediments of the Temiscaming Group. This unit consists of alternating conglomerates and greywackes. Numerous abrupt lateral changes and discordances are noted in this sequence.

The Pontiac Group is located south of the Temiscaming Group. It mainly consists of arenites and greywackes with very few lateral variations. A few conglomerate beds are present. The presence of ultramafic to mafic volcanics was also noted at the southern end of the property. Two diabase dykes cut the sediments.

At least three phases of deformation have been identified on the property. The recent northeast trending Davidson Creek fault crosses the property. Numerous additional faults and shear zones were also observed on the property.

Economic Geology

The Adanac property is located in a favourable environment for the discovery of gold deposits. The McWatters Mine, located less than a kilometer north of the property, has produced some 333,854 metric tons of ore at a grade of 11.32 g/t Au between 1934 and 1944. Actual reserves (probable, possible and mineral resources) are evaluated at 1,273,713 metric tons at a grade of 6.51 g/t Au.

Approximately 7 km west of the property, the Granada Mine has produced 150,000 metric tons of ore at a grade of 9.6 g/t Au. The mineral reserves are estimated at 770,000 tons at a grade of 4.8 g/t Au. The geological units hosting this deposit are present on the Adanac property.

On the Adanac property, many types of gold-bearing mineralization were observed. The bulk of the mineralization is present in quartz-tourmaline-pyrite veins containing occasional arsenopyrite and iron carbonates. Mineralization was also noted in greywackes or tourmaline and pyrite-bearing conglomerates, locally carbonatized and chloritized.

The Clerno Zone consists of quartz-carbonate-arsenopyrite-pyrite veins within greywackes.

The Tourmaline Zone consists of quartz-tourmaline-pyrite veins also within greywackes.

In 1994, the company excavated four trenches in the Tourmaline Zone. The best results obtained were:

Site 1: Zone A	6.97 g/t Au over 4.9 m
Site 2: Zone A	11.59 g/t Au over 1.1 m
Site 3: Zone A	3.36 g/t Au over 0.6 m
Site 4, Zone B	4.82 g/t Au over 4.8 m

Holes drilled on these sites intersected auriferous mineralized zones. The best one was obtained from hole A-96-44 which intersected 4.8 g/t Au over 2.8 m. In early 1996, six more holes totalling 1,055.3 m were drilled on these sites to verify the possibility of an extension of the aforementioned mineralized sections.

A second phase of diamond drilling, totalling 1,219.2 m, was completed in October of 1996, to verify the intersection found in Hole A-96-44. Four of the five holes returned significant mineralized sections. The best intercept consisted of 10.60 g/t Au over 2.43 m.

The third phase totalling 1,219.2 m was completed in February 1997. Four of the six holes did intersect significant gold-bearing mineralization. These holes delineated four gold-bearing zones on the "MC" showing.

Zone "A" returned intersections of up to 10.60 g/t Au over widths up to 2.43 m.

Zone "B" is located about 10 m above zone "A". Mineralized intercepts of up to 18.67 g/t Au over widths reaching 0.91 m were returned.

Zone "C" is located about 5 m above zone "B". Mineralized intercepts of up to 4.63 g/t Au over widths of up to 0.91 m were returned.

Zone "D" is located about 30 m above zone "C". The best intersection in this zone consisted of 13.57 g/t Au over 1.82 m.

All the zones are inclined at 40 to 45° northeast. Gold-bearing mineralization is located within sections injected with veins and veinlets of quartz with pyrite and sometimes arsenopyrite. The strike extensions of these veins remain open. Furthermore, chances of localizing other similar zones are very good.

CONCLUSIONS AND RECOMMENDATIONS

Previous exploration work on the Adanac property has localized numerous gold showings. The discovery of four new auriferous zones in 1996 and early 1997 ("MC" showing) was a highlight of the exploration campaign. It clearly demonstrates the potential of the Tourmaline Zone to host significant mineralization and confirms the structural control of the mineralization.

The following step will be to investigate the strike extensions of these zones with additional diamond drilling and to start defining ore reserves with a closely spaced drilling pattern.

The results from the fall 1996 and winter 1997 exploration program give ample justification to continue exploration work on the Adanac property. It should be a priority to drill the extension of the "MC" showing and it would also be important to look for other structures similar to the "MC" zone.

The authors recommend a $1,000,000 exploration program in two phases. The first phase of work will consist of:

(1) Compilation of all previous geological and geophysical data on the property, including revisions of the old diamond drill core.

(2) Additional stripping on previously known zones and other mineralized zones.

(3) Detailed structural mapping on the stripped areas to better understand the deposit's geological environment.

(4) Walk mag survey to understand the structural complexities of the property.

(5) Electromagnetic MaxMin survey to locate the conductors.

(6) IP survey over the mineralized zones and geophysical anomalies to locate the extension of the known mineralized zones and find new ones.

(7) Diamond drilling on the lateral and depth extensions of the Tourmaline Zone ("MC" showing).

(8) Diamond drilling of other known showings, geological and geophysical targets.

If the results from Phase I are positive, a second phase of work should be planned. It would consist of definition diamond drilling on the Tourmaline Zone, additional drilling on the other known occurrences and drilling to verify geological and geophysical targets.

These works will help understanding the general context in which the mineralization is set, in order to follow-up with an exploration guide. The budget for the proposed two-phase program the Adanac property, would be as follows:

Phase I

-	Line cutting - 70 km at $250/km	$17,500
-	Geological compilation and geophysical reinterpretation including revision of the old core - 30 days at $300/day	$9,000
-	Power stripping, outcrop washing and structural mapping 10 days at $1,000/day	$10,000
-	Detailed and structural mapping of the stripped areas, including sampling 1 geologist and 1 technician for 15 days $625/day	$9,375
-	Walk mag survey 70 km at $120/km	$8,400
-	Electromagnetic MaxMin survey 2 frequencies, 2 cable lengths 40 km at $150/km	$6,000
-	IP survey - 20 km at $750/km	$15,000

-	Diamond drilling (BQ core) on the Tourmaline mineralized vein system 1,300 m at $75/m (all inclusive)	$97,500
Sub-total:		$172,775
Management and contingencies (15%)		$27,225
Total Phase I		**$200,000**

Phase II

-	Definition diamond drilling on the Tourmaline Zone 5,000 m at $75/m	$375,000
-	Additional drilling (BQ core) on the known mineralized occurrences 2,000 m at $75/m	$150,000
-	Exploration diamond drilling (BQ core) 2,300 m at $75/m	$172,500
Sub-total:		$697,500
Management and contingencies (15%)		$102,500
Total Phase II		**$800,000**
TOTAL PHASES I AND II		**$1,000,000**

SUMMARY - BLONDEAU PROPERTY

The following summary was prepared from the " Qualification Report, Blondeau Property, Blondeau Township " written by J. P. Huertas, B.Sc., Geol. and D. Gaudreault, Eng., Geol. consultants for Geologica Groupe-Conseil.

Property, Location and Access

The property is located some 6 km west of the village of Belleterre, in Temiscamingue, Quebec and consists of 50 contiguous claims for a total surface of 800 hectares located in ranges VII and VIII. Access to the property is easy by way of Road 382 which passes 1.5 km north of the claim group and then by a N-S gravel road which branches off Road 382 toward Lac-aux-Sables along the eastern limit of the property. The area is relatively flat and covered by glacial deposits.

History of the Property

The discovery of the Belleterre mine at the beginning of the 30's, generated numerous exploration programs in the mine's immediate area and on the Blondeau property, located some 6 km from the mine. From 1930 to 1994, work on the property consisted of surface exploration, line cutting, geophysical surveys and drilling.

In 1995, Exploration Carat Inc. did prospection and excavation work (8 trenches). Grab samples from two (2) trenches returned values of 43.35 g/t Au and 19.41 g/t Au. In 1996, Dianor Resources Inc. completed geophysical surveys as well as diamond drilling (5 holes for a total of 1,178 m). Work also included a total of 83 km of line cutting, magnetometric and electromagnetic surveys (VLF and MaxMin). Several outcrops were stripped and 31 samples were taken and assayed for gold. Samples from outcrops in shear zones and trenches returned high gold grades such as 52.2 g/t Au (#08122), 45.6 g/t Au (#08123), 19.4 g/t Au (#08124), 6.9 g/t Au (#17968) and 6.1 g/t Au (#17974).

Property Geology and Mineralization

The rocks in the area are part of the Pontiac Sub-Province, more precisely the Baby volcano-sedimentary trough. This area is host to the Belleterre and Aubelle deposits, two (2) important past gold producers. Belleterre Mine is located approximately 6 km NW from the Blondeau property and it produced 2.4 Mt grading 11.67 g/t Au from 1936 to 1958.

The source of auriferous hydrothermal fluids is related to the setting of granitic to gabbroic intrusives. Showings from which high gold grades were obtained on the property, probably belong to the latter type of mineralization. Gold mineralization generally appears as native gold and is located in thin shear zones rich in quartz and sulfides (0.3 to 4 m). These shears are mostly oriented E-W and often accompanied by a network of fine quartz-carbonate veinlets.

CONCLUSION AND RECOMMENDATIONS

Up till now, exploration work completed on the Blondeau property, have identified numerous gold showings and geophysical anomalies associated with regional structures, more particularly with shear zones. A copper showing has also been uncovered in the eastern part of the property. Additional field work is necessary in order to better define gold mineralization hosted by shear zones on the property. A good reconnaissance of the geological environment is essential to better understand the controls affecting the different types of mineralization. It is recommended to complete detailed mapping, a geochemical survey, stripping and trenches to implement additional drilling on the best targets. The authors agree that the property's geological context is favourable for the presence of gold mineralization and recommend an exploration program in two phases as follows:

Phase 1 - Mapping, Geochemistry, Stripping and Trenches

Geological mapping - 30 days (1 geologist, 1 assistant, sampling and logistics)	$36,000
Geochemical survey - 45 days (1 geologist, 1 assistant, sampling and logistics)	54,000
Stripping and trenches (washing of outcrops, excavation, mapping, sampling, personnel)	30,000
Drafting and report	10,000
Sub-total:	130,000
Administration (5)	6,500
Contingencies (10%)	13,500

Total Phase I:	**$150,000**
Phase II - Diamond drilling	
Diamond drilling 1,625 m at $80/m	$130,000
Administration (5%)	6,500
Contingencies (10%)	13,500
Total Phase II:	**$150,000**
TOTAL PHASES I AND II:	**$300,000**

SUMMARY - FOURNIÈRE PROPERTY

The following summary was prepared on the basis of the report titled " QUALIFICATION REPORT - FOURNIÈRE PROPERTY" written by J.P. Huertas, Geol. B.Sc. and D. Gaudreault, P.Eng. consultants for Geologica Inc. of Val d'Or.

Property Location, Description and Access

The Fournière property is located in the township bearing the same name at a distance of 1.6 km south of the town of Malartic. Access is easy by Fournière Road which crosses the center of the property in a north-south direction.

The property comprises 6 contiguous mining claims in Range IX. It occupies lots 22 to 26 and the southern half of lot 27, covering an area of 224 hectares. The claims are numbered from 5144234 to 5144239.

Suppliers, contractors as well as qualified manpower are available in Malartic and Val-d'Or, which is an important mining and forestry locality some 20 km east of the property. There is a powerline along Fournière Road.

Exploration History

Between the end of the 30's and 1983, the Fournière property was the site of prospection, either by individual prospectors or by companies such as East Lacoma Mines, Canadian Malartic Gold Mines, Cartier Quebec Exploration and Minerais Lac.

Still visible on site, several trenches offer evidence of the work realized by these companies in the past. These trenches reveal units of graywackes transcut by felsic intrusives, sometimes silicified and hematized. Some of these trenches contain from 1% to 6% of Py.

M.N.R. compilation maps indicate that 13 holes were drilled on the property. Drill logs are not available. Several casings can be observed on the property. In GM 39951, a drill hole is mentioned to have intersected a gold zone some 1.4 metre wide grading 27.24 g/t Au at a depth of 57 metres.

Since 1983, it seems that no more work was done on the property.

Regional Geology

The property lies in the southeastern part of the Abitibi Volcanic Belt, which is part of the Superior Structural Province of the Canadian Shield. The volcanic, sedimentary and intrusive rocks are Archean in age.

The geology of the area essentially consists of thick piles of lavas and pyroclastic rocks intercalated with a series of sedimentary units. This volcano-sedimentary assemblage comprises, from north to south, the Malartic Group (La Motte-Vassan and Dubuisson formations), the Jacola, Val d'Or, Héva and Kewagama formations, and the Blake River, Cadillac and Pontiac Groups.

Numerous intrusions, ranging in composition from pyroxenite to granite invade the entire sequence. The most extensive are swarms of dioritic sills and large plutons of granodiorite, such as the Bourlamaque batholith.

Many gold deposits have been found in the area. In the immediate vicinity of the property under study we find the East Malartic, Malartic Gold Fields, Barnat-Sladen and Canadian Malartic mines which have produced over 200,000 kilograms of gold.

The Archean volcanic and sedimentary rocks are locally intruded by Proterozoic late diabase dykes.

Property Geology

The Fournière property is located within the metasedimentary Pontiac Group and the metavolcanic Piché Group. It lies at a distance of 1.6 km south from the Cadillac Fault. These units are Archean in age and underlie loose Quaternary deposits. The Archean rocks observed on the property essentially comprise graywackes and intrusives in a lesser quantity.

The graywackes are sandstones, siltstones and shales metamorphosed at the lower amphibolite facies. Their beds vary in thickness from 2.5 cm to 14 cm. These units show primary sedimentary structures such as normal graded bedding, parallel laminations and, more rarely, intertwined laminations and small erosion channels. These latter structures thus suggest that sedimentary deposits on this property result from turbidite currents.

The felsic intrusives are syenite dykes, ranging from a few cm to 30 m in thickness. From 2 to 20% of zoned plagioclase phenocrysts lend the rock its porphyric texture.

The mafic intrusive dykes which were noted on the property range from 5 cm to 2.2 m in thickness. They comprise amphibole, biotite, plagioclase and calcite porphyroblast veins.

Structural Geology and Mineralization

The Fournière property is subdivided in two structural domains based on tectonic differences: the north domain and the south domain.

In the northern part of the property, the lithologies are oriented NW and SE and in the southern part of the property, lithologies are oriented NW-SE with sub-vertical dips. This part could have undergone tectonic deformation in the order of 50 to 70% of levelling compared with 20 to 50% in the northern part. This rate of deformation can be close to the one that is encountered in the surroundings of the Cadillac Fault.

The geology of the Fournière property shows a lot of similarities with the adjoining property to the northeast, the Canadian Malartic Gold Mine where 9,921,363 tons grading 3.78 g/t Au were extracted from graywackes and felsic intrusives, between 1928 and 1965.

At the Canadian Malartic mine, graywacke mineral comprises large richer lenses, located within extensive weakly mineralized zones and concordant with the latters. The thickness of the mined zones ranged between 3 and 25 metres and their grades varied from 1 to 7 g/t Au.

The veins mined within the porphyry dykes had thicknesses varying from 20 to 75 cm, they were accompanied however by a family of veinlets shooting off the main vein, which allowed for stoping on larger widths. Individual veins contained 15 g/t Au or more gold and the whole unit gave an average grade of 8 g/t Au.

CONCLUSION AND RECOMMENDATIONS

The Fournière property is located in the Malartic mining camp. There was six mines in the area which each produced more than a ton of gold metal during their operation, these are the following mines: Canadian Malartic, Barnat-Sladen, East Malartic, Malartic Goldfields, Camflo and Malartic Hygrade.

The rocks observed on the property comprise metasediments of the Pontiac Group and metavolcanics of the Piché Group. These units are transcut by felsic intrusives. Work completed by previous holders have demonstrated the presence of graywackes and felsic intrusives, at times silicified and hematized, and of quartz veins mineralized with pyrite (up to 6%). A drill intersection is said to have returned 27.24 g/t Au over 1.4 m. In 1980, ground geophysical work confirmed the anomalous nature (metallic sources) of the sedimentary sequence, north of the property.

The next exploration program on the Fournière property should aim at finding two (2) types of mineralization:

(1) Gold mineralization associated with intrusives (felsic porphyry dykes and diorite) within volcanic or sedimentary rocks.

(2) Gold mineralization associated with fractured and altered zones within sedimentary rocks.

For all the reasons mentioned above, we recommend the follow-up of exploration work on the entire property and suggest the following exploration program in two phases:

In a first phase:

- Cut a network of lines spaced at 100 m and perpendicular to the stratigraphy.
- Complete a magnetic and electromagnetic survey on the entire property.
- Complete an induced polarization survey on the entire property.
- Detailed mapping of the property.
- Stripping and detailed mapping of the anomalous zones.
- Drilling to verify geophysical and geological targets.

If the results from Phase I are positive, a second phase would consist in drilling to investigate the lateral and depth extensions of the already known lenses, as well as the various favourable horizons found on the property. The cost to complete this program divided in two phases would be set at $300,000, as indicated below:

Phase 1

Line cutting - 35 km at $250/km	$ 8,750
Magnetic survey (walk mag) - 35 km at $90/km	3,150
EMH survey (Max Min) - 30 km at $120/km	3,600
Geological mapping - 1 geologist and 1 technician	

15 days at $800/day	12,000
Induced polarization - 20 km at $1,000/km	20,000
Stripping, detailed mapping and sampling 15 days at $3,000/day	45,000
Drilling on the best geophysical and/or geological targets - 1,000 m at $80/m*	80,000
Administration et contingencies (15%)	27,500
Total Phase I:	**$200,000**

Phase II

Additional drilling - 1,100 m at $80/m *	$88,000
Administration and contingencies (15%)	12,000
Total Phase II:	**$100,000**
Total Phases 1 and 2:	**$ 300,000**

* Includes mobilization, demobilization, moves between drill holes, water, geological supervision on site, core logging, sampling, analyses, final report, QST and GST.

SUMMARY - SISTER POND AND SPLIT PONDS PROPERTIES

The following summary was prepared on the basis of the report titled " Qualification Report, Split Ponds Property Baie Verte Peninsula, Newfoundland " and " Qualification Report, Sister Pond Property Baie Verte Peninsula, Newfoundland " written by Luc Rioux, geologist working for Groupe Conseil Gesplaur.

Property, Location and Access

The Properties are located 3.5 kilometers (Sister Pond) and 8.0 kilometers (Split Ponds) northwest of Snook's Arm, 33 kilometers southeast of Baie Verte and 18 kilometers southwest of La Scie, on the southeast coast of the Baie Verte Peninsula in the Green Bay District of north-central Newfoundland. The Sister Pond Property consists of fifteen (15) claims, grouped under license # 4604 and covers an area of approximately 240 hectares. The Split Ponds Property consists of nine claims, grouped under license #4551 and covers an area of approximately 144 hectares.

During the winter, access to the properties is gained by snowmobile from the Snook's Arm winter parking lot and then travelling northwest on East Pond. During the summer, access is more difficult, though it represents a one to two kilometer walk from the road that joins the Snook's Arm settlement and the Nugget Pond Mine.

Exploration History

Sister Pond Property

Exploration in the Betts Cove Ophiolite Complex was mainly concentrated in area of the Tilt Cove and Betts Cove ore deposits. Within the property limits, exploration started only in 1975 when Consolidated Morrison Exploration Limited carried out an airborne survey over the Betts Cove Ophiolite Complex. From 1981 to 1996, various companies including Consolidated Rambler Mines, Canadian Nickel Company Ltd. (now Inco Gold Management Inc.), Inco and Noveder carried out geological, geochemical, and geophysical surveys as well as limited diamond drilling on the Sister Pond property.

In February 1997, Dianor Resources Inc. had 3.4 kilometers of line refreshed, in order to carry out an I.P. survey on the Sister Pond Property. This survey has outlined the presence of weak to very strong responses, of which two strong anomalies, previously delineated by Inco, are located on lines 75E and 79E. Weaker anomalies were encountered on lines 64E and 68E and still remain to be explained. In March 1997, five holes were drilled for a total of 795.4 meters. Hole SIP-97-01 was drilled to test the northeastern extension of the Arrowhead Pond Showing, the highest gold value yielded 144 ppb, comprised within altered ultramafic rocks. Hole SIP-97-02 investigated the faulted contact between the mafic lavas and the ultramafic rocks of the Betts Cove Ophiolite Complex, no significant gold values were returned from this hole. Hole SIP-97-03 was drilled to establish the nature of the strong I.P. anomaly located on line 75E, this geophysical feature was explained by the occurrence of graphitic tuffaceous sediments, again no anomalous gold values were outlined, though traces of pyrite were observed throughout the graphitic horizon. Hole SIP-97-04 was planned to test the faulted contact between the altered ultramafics and the Cape Brulé Porphyry, a sedimentary horizon mapped by previous workers, a northeast trending I.P. anomaly, and an east-west VLF conductor. The faulted contact and the sedimentary horizon were not encountered, the geophysical conductors were explained by weak pyrite mineralization yielding no significant gold values. Hole SIP-97-05 was proposed in order to test the faulted contact between the ultramafic rocks and the Cape Brulé Porphyry, as well as structural features outlined by east-west running creeks, the best value returned 135 ppb Au over 1.5 meter of core length, within the ultramafic rocks.

Split Ponds Property

From 1975 to 1996 various companies including Consolidated Morrison Exploration Limited, Noranda and Noveder carried out geological, geochemical, and geophysical surveys on the Split Ponds property.

In February 1997, Dianor Resources Inc. conducted a magnetometric survey on the southeastern part of the property. This survey revealed the occurrence of high magnetic readings, south of the Split Ponds and low readings over the ponds, thus demonstrating that the thrust-faulted contact between the basal unit of the Betts Cove Ophiolite Complex and the Cape Brulé Porphyry runs parallel to the south shore of the easternmost pond, comprising the Split Ponds. In March of the same year, a geological / reconnaissance program was performed on the property and returned anomalous gold values of 135 and 337 ppb, confined within serpentinized and talc-chlorite altered ultramafic rocks, in the southeastern portion of the property.

Regional Geology

The Baie Verte Peninsula is situated at the northernmost tip of the Appalachian Orogen and comprises two tectonostratigraphic zones. To the northwest, the Humber Zone records the evolution and destruction of the ancient continental margin of eastern North America, whereas to the southeast, the Dunnage Zone contains ophiolite suites and volcanic complexes that represent the remains of the Early Paleozoic Iapetus (Atlantic) Ocean.

These two zones are separated by a structural zone termed the Baie Verte Line. This boundary may appear as a major fault or as a broad polytectonized structural zone intruded by granitic rocks. The southeastern portion of the Baie Verte Peninsula is known as the Baie Verte Belt. It comprises three ophiolite complexes (Advocate, Point Rousse, Betts Cove), some volcanic cover sequences and various intrusive rocks of the Dunnage Zone.

Betts Cove Ophiolite Complex

The Betts Cove Ophiolite Complex is located on the western shore of the Notre Dame Bay between Northwest Arm and Beaver Cove. The complex forms a steeply southeasterly dipping arcuate outcrop area between Pittman Bight and Tilt Cove, whereas southeast of Nippers Harbour, the rocks are almost flat lying. It comprises a basal ultramafic member overlain by a gabbro, a sheeted dyke consisting of a proportion of 90%, of diabase dykes and ultramafic dykes, and a pillow lava member, all of which have transitional contacts between each other (Table 1).

TABLE .1 **STRATIGRAPHIC COLUMN**

GROUP	FORMATION	TYPE OF ROCK
Cape Brulé Porphyry	Intrusive	Quartz Feldspar Porphyry intrusive and locally extrusive
Burlington Granodiorite	Intrusive	Granodiorite and quartz diorite lesser granite and quartz monzonite
Cape St-John	<u>Undivided</u>	Felsic volcanics and volcaniclastites with lesser amounts of mafic volcanics sandstone and conglomerate

UNCONFORMITY

Snook's Arm	Round Harbour	pillow basalt with minor breccia
	Balsam Bud Cove	sedimentary/pyroclastic andesitic tuff and flysch graywacke, argillite, chert
	Venams Bight	pillow basalt with minor breccia
Snook's Arm	Bobby Cove	sedimentary/pyroclastic andesitic tuff and flysch graywacke, argillite, chert
Betts Cove Ophiolite Complex	Pillow lava member	mafic pillow lavas, lesser ultramafic lavas
	sheeted dyke member	diabasic/ultramafic dykes
	gabbroic member	leucogabbro gabbro pyroxenite
Betts Cove Ophiolite Complex	ultramafic member	layered dunite, pyroxenite, wherlite, with subordinate hazburgite and minor lherzolite

Snook's Arm Group

To the southeast, the ophiolite complex is conformably overlain by the Snook's Arm Group containing four different formations. The Bobby Cove and Balsam Bud Cove Formations are composed of clastic sedimentary rocks; mafic pyroclastic rocks; diabase dykes and sills; minor pillow lavas and chert. The Venams Bight and Round Harbour Formations are mainly defined by pillow lavas. The base of the Snook's Arm Group is occupied by the Bobby Cove Formation which is overlain by the Venams Bight pillow lavas which are in turn overlain by the Balsam Bud Cove Formation composed mostly of mafic (andesitic) tuff, agglomerate along with minor graywacke and argillite, chert and conglomerate. The uppermost unit comprising the Snook's Arm Group is the basaltic pillow lavas of the Round Harbour Formation (Table 1).

Cape St-John Group

This group is dominated by subaerial volcanics. The basal unit is occupied by coarse calcareous sandstone and minor conglomeratic beds. Basic volcanic flows occur throughout the Cape St-John Group. Quartz-feldspar crystal tuffs, intrusive breccias, andesitic and silicic pyroclastic rocks, and, spherulitic rhyolite and trachyte flows comprise the remaining rock deposition sequence of the Cape St-John Group.

Burlington Granodiorite

Granodiorite and quartz diorite are the main constituents, though granite and quartz monzonite occur locally. The width of this intrusive varies from less than 1 kilometer to 25 kilometers. Weathered surfaces show a greenish-gray color. It intrudes the Betts Cove Ophiolite Complex and is locally foliated.

Cape Brulé Porphyry

The porphyry is constituted of two distinct units: a fine-grained one and a coarser grained unit. In both units, the groundmass is very fine grained and the major mafic minerals occurring are biotite altered to chlorite, with minor epidote, sphene, and zircon. Locally, layering and hexagonal jointing has been observed implying that, at least part, of the porphyry may be of extrusive origin.

Property Geology

Sister Pond Property

The central portion of the Sister Pond Property is cross-cut by the northeast-southwest trending ophiolite sequence of the Betts Cove Complex. Numerous gold occurrences, resembling "Mother Lode type" gold mineralization, are encountered within the ultramafic member of which: the Arrowhead Pond showing (1.2 g/t Au over 0.8 meter), outlined through channel sampling, located in the northeast corner of the property. Several other gold occurrences were intercepted in five diamond drill holes (WP-85-1 and 2 and 77512-14) located within the ultramafic sequence, yielded values ranging from 100 to 850 ppb Au over core sections of up to 3 meters. The best results obtained from the 1997 drilling program are also associated with this stratigraphic unit.

In the southeastern portion of the property, the pillow lava member is in faulted contact with the ultramafic member of the Betts Cove Complex. The nature and extent of displacement along this fault is unknown but seems to suggest a normal displacement. On the Sister Pond Property, the gabbroic and sheeted dyke members are absent from the ophiolite sequence.

The Nugget Pond Horizon, host to the Nugget Pond deposit, is located within the pillow lava member and is interpreted to occur in the south easternmost corner of the property, where a strong magnetic, coincident with a moderate to strong I.P. anomaly, still remains to be tested.

In the northern and northwestern portions of the property, the basal ultramafic member of the Betts Cove Ophiolite Complex is in thrust-faulted contact with the units of the Cape St-John Group (to the north) and the Cape Brulé Porphyry (to the northwest).

Split Ponds Property

The southeastern corner of the Split Ponds Property is underlain by the Betts Cove Ophiolite Complex consisting of rusty orange-brown serpentinite and bluish-gray ultramafics, now altered to talc-chlorite-carbonate. The serpentinized ultramafics are generally fine grained, moderately magnetic and locally they contain reddish iron carbonate veinlets. The bulk of the property is underlain by the Cape Brulé Porphyry, a quartz-feldspar porphyry. These rocks range form fine to medium grained and often contain epidote alteration and hematite staining.

Soil and till sampling revealed gold anomalies, over the ultramafic rocks, which yielded gold values up to 380 ppb Au. The area is low lying, but not boggy and hence, these values seem to truly represent the gold content of the underlying ultramafic rocks.

Rock samples from this area ran up to 1 184 ppb Au, 4.10% Cu and 3 600 ppb Ag (sample # 44726, collected by Noveder in 1995).

Economic Geology

Historically, the main mineral deposits of the Betts Cove Ophiolite Complex are the pyrite-chalcopyrite-sphalerite (± Au, Ag) orebodies which were mined at Betts Cove and Tilt Cove.

The Betts Cove ore deposits, discovered in 1860, produced approximately 130 000 tons of ore at an approximate grade of 10% Cu between 1875 et 1885. Some copper barren zones in the orebody contained zinc-rich material and up to 10,3 g/t of gold.

The Tilt Cove orebodies, discovered in 1857, were mined until 1918 by various companies. Approximately 61 000 tons of copper were produced at a grade varying between 4% and 12% Cu. The mine was reopened and produced 83 278 tons of copper and 42 425 ounces of gold between 1957 and 1967.

The recently discovered Nugget Pond deposit represents a different type of gold mineralization. It is hosted by a sedimentary horizon (Nugget Pond Horizon) that extends for approximately fifteen (15) kilometers between the massive sulphide deposits of Betts Cove and Tilt Cove. This horizon is composed of interlayered red and green argillites located within the pillow lava member of the ophiolite complex.

The Nugget Pond deposit is now estimated to contain 348,294 tonnes of ore grading 16.75 g/t Au.

Sister Pond Property

The Betts Cove and Tilt Cove deposits consist of massive to bedded sulphides with pyrite strongly predominating over chalcopyrite and minor sphalerite. The sulphides are stratigraphically localized in the vicinity of the contact between the sheeted dyke member and the overlying pillow lava member of the Betts Cove Ophiolite Complex.

This stratigraphic horizon is non existent within the Sister Pond Property, where the pillow lava member is in faulted contact with the ultramafic member of the Betts Cove Complex. This contact was tested by hole SIP-97-02, where a mud/fault gouge was intercepted along this contact but no significant gold values were outlined within this interval.

Two geological targets warrant further prospecting within the Sister Pond Property. The first of these targets, is the strongly altered (talc-chlorite-quartz) and brecciated (containing 20-25% talc-quartz stringers, developed in a stock work pattern) ultramafic member comprising the basal unit of the Betts Cove Ophiolite Complex. Previous work on the property has demonstrated the potential for low grade gold mineralization, as outlined by drilling in 1985 (WP-85-1 and WP-85-2) and in 1988 (77512-13 and 14), where values ranging from 100 to 850 ppb Au were intersected over core lengths of up to 3 meters. The 1997 drilling also illustrated that low grade gold mineralization is embedded within the ultramafic unit.

The second priority target consists of the Nugget Pond Horizon, located over West Pond in the south easternmost portion of the property. Geophysical anomalies, in both the magnetic and electromagnetic domains (I.P.) correlate with this horizon. Since the horizon is located under West Pond, the only way to test it, would be achieved by diamond drilling, which would necessitate a hole at least 500 meters long.

Split Ponds Property

Two geological targets warrant intensive prospecting within the Split Ponds Property. The first of these targets, is the strongly altered (talc-chlorite) and brecciated ultramafic member comprising the basal unit of the Betts Cove Ophiolite Complex. Previous work on the property has demonstrated the potential for low grade gold mineralization, as outlined through soil geochemical sampling performed by Noranda in 1987, which yielded values as high as 380 ppb Au; and in 1995, when Noveder circumscribed anomalous gold values in rock samples, collected within the altered ultramafic rocks, which yielded 1,184 ppb Au, 4.10% Cu, and 3,600 ppb Ag (sample # 44726, Noveder 1995).

The second priority target consists of the Cape Brulé Porphyry, located north and west of the Split Ponds. An I.P. survey carried out over this unit could enable us to delineate shear zones comprised within this high-level plutonic intrusive.

An exploration program is proposed in the following section.

RECOMMENDATIONS

Previous work, carried out on both properties, confirms the potential for Mother Lode type gold mineralization, as outlined by low grade gold assays returned within the strongly altered ultramafic rocks and collected from rock, soil and till samples. Furthermore, the recent Nugget Pond deposit discovery, with reserves estimated at 348 294 tonnes grading 16.75 g/t Au, represents another type of gold mineralization warranting further exploration.

Sister Pond Property

In order to delineate the most promising targets within the altered ultramafics as well as those located in the Nugget Pond Horizon, which transects the Sister Pond Property over approximately 400 meters, a two phases exploration program is recommended.

In the first phase, it is recommended to cut and/or refresh a 22 line-km grid, with lines spaced at 100 meters intervals, followed by geophysical surveys (Mag and I.P.) and geological and structural mapping for a total planned budget of 90 000$.

The second phase would consist of 950 meters of diamond drilling to test the best targets outlined during the first phase of exploration for a total planned budget of 150 000$.

The total budget for these two phases is of 240 000$.

Split Ponds Property

In order to delineate the most promising targets within the altered ultramafics on the Split Ponds Property, as well as those located within the Cape Brulé Porphyry, which occupies the bulk of the property, a two phases exploration program is recommended.

In the first phase, it is recommended to cut and/or refresh a 14 line-km grid, with lines spaced at 100 meters intervals, followed by geophysical surveys (Mag and I.P.) and geological and structural mapping for a total planned budget of 60 000$.

The second phase would consist of 675 meters of diamond drilling to test the best targets outlined during the first phase of exploration for a total planned budget of 100 000$.

The total budget for these two phases is of 160 000$.

PROPOSED BUDGETS

SISTER POND PROPERTY

PHASE 1

Planning	3 475 $
Line cutting	8 050 $
Geophysical surveys (Mag and I.P.)	25 410 $
Geological and structural mapping	22 375 $
Geological report and drafting	5 750 $
Transport, vehicle, accommodations and supplies	8 600 $
SUB-TOTAL	73 660 $
Contingencies (5%)	4 601 $
Management (15%)	11 739 $
TOTAL	**90 000 $**

PHASE 2

Planning	3 100 $
Helicopter-borne diamond drilling (950 meters)	105 975 $
Report and drafting	5 750 $
Transport, vehicle, accommodations and supplies	8 600 $
SUB-TOTAL	123 425 $
Contingencies (5%)	7 010 $
Management (15%)	19 565 $
TOTAL	**150 000 $**
TOTAL PHASES 1 AND 2	**240 000 $**

SPLIT PONDS PROPERTY

PHASE 1

Planning	2 175 $
Line cutting	4 900 $
Geophysical surveys (Mag and I.P.)	15 140 $
Geological and structural	14 125 $

Report and drafting	4 175 $
Transport, vehicle, accommodations and supplies	8 600 $
SUB-TOTAL	49 115 $
Contingencies (5%)	3 059 $
Management (15%)	7 826 $
TOTAL	**60 000 $**

PHASE 2

Planning	1 650 $
Helicopter-borne diamond drilling (675 meters)	71 498 $
Report and drafting	3 875 $
Transport, vehicle, accommodations and supplies	5 100 $
SUB-TOTAL	82 123 $
Contingencies (5%)	4 834 $
Management (15%)	13 043 $
TOTAL	**100 000 $**
TOTAL PHASES 1 AND 2	**160 000 $**

USE OF PROCEEDS

Dianor will use the total proceeds from the sale of the Flow-Through Shares included in the A Units, namely $1,600,000 in the event the maximum number of A Units is subscribed and $550,000 in the event the minimum number of A Units is subscribed, to incur, prior to December 31, 1998, Canadian exploration expenses ("CEE") qualifying for a 175% deduction for Quebec income tax purposes and a 100% deduction for federal income tax purposes with respect to mining exploration work carried out on the Adanac, Blondeau and Fournière Properties all located in Quebec, in which Dianor owns interests.

The proceeds from the sale of the common shares included in the A Units, namely $400,000 in the event the maximum number of A Units is subscribed and $137,500 in the event the minimum number of A Units is subscribed, shall be added to the working capital of Dianor and shall be used in part to pay the Agent's commission for the sale of the A Units and to pay part of the expenses of issue of this offering.

		Minimum Number of A Units	Maximum Number of A Units
(A)	**Exploration Work**		
	Adanac Property	$ 200,000	$1,000,000
	Blondeau Property	$ 150,000	$ 300,000
	Fournière Property	$ 200,000	$ 300,000
	Sub-Total:	$ 550,000	$1,600,000
(B)	**Agent's Commission . . . .**	$ 61,875	$ 180,000
	Expenses of Issue	$ ●	$ ●
	Working Capital	$ ●	$ ●
	Sub-Total:	$ 137,500	$ 400,000
	Total:	$ 687,500	$2,000,000

Dianor will use the total proceeds from the sale of the Flow-Through Shares included in the B Units, namely $400,000 in the event the maximum number of B Units is subscribed and $150,000 in the event the minimum number of B Units is subscribed, to incur, prior to December 31, 1998, CEE qualifying for a 100% deduction for federal and provincial income tax purposes with respect to mining exploration work carried out on the Sister Pond and Split Ponds Properties both located in Newfoundland.

The proceeds from the sale of the common shares included in the B Units, namely $100,000 in the event the maximum number of B Units and $37,500 in the event the minimum number of B Units is subscribed, shall be added to the working capital of Dianor and shall be used in part to pay the Agent's commission for the sale of the B Units and to pay part of the expenses of issue of this offering.

		Minimum Number of B Units	Maximum Number of B Units
(A)	**Exploration Work**		
	Sister Pond Property	$ 90,000	$240,000
	Split Ponds Property	$ 60,000	$160,000
	Sub-Total:	$150,000	$400,000
(B)	**Agent's Commission**	$ 16,875	$ 45,000
	Expenses of Issue	$ ●	$ ●
	Working Capital	$ ●	$ ●
	Sub-Total:	$ 37,500	$100,000
	Total:	$187,500	$500,000

However, in light of the nature of the mining exploration industry and based on the results obtained from the work carried out, the programs and budget allocations based on the proceeds of the sale of the Flow-Through Shares included in the A Units and B Units may be reexamined and changed. However, on one hand, such expenses must, in the case of the A Units, qualify as CEE incurred in the Province of Quebec, qualifying for a 175% deduction for Quebec income tax purposes and a 100% deduction for federal income tax purposes, and, in the case of the B Units, qualify as CEE incurred in Canada, qualifying for a 100% deduction for federal and provincial income tax purposes. On the other hand, the proceeds from the sale of the Flow-Through Shares included in the A Units and the B Units must be incurred in CEE at the latest on December 31, 1998.

The minimum offering of $625,000 may be comprised entirely of A Units or a combination of A Units and B Units. In the event the minimum offering is subscribed, Dianor intends to incur CEE for an amount of $500,000 (i) on the Adanac, Blondeau and Fournière Properties or (ii) on the Adanac Property or, at its discretion, on the Fournière Property and on the Sister Pond and Split Ponds Properties. In the event the maximum offering is subscribed, Dianor will incur CEE for an amount totalling $2,000,000 being the maximum budgets for the work to be carried out on all the above-described properties.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF VARIATION IN OPERATING RESULTS

Comparison Between the Six-Month Period Ended September 30, 1997 and the Six-Month Period Ended September 30, 1996.

During the period ended September 30, 1997, the Company incurred a net loss of $ 210,568 ($0.02 per share) compared to a net loss of $226,382 ($0.03 per share) for the period ended September 30, 1996. The decrease in net loss is due mainly to the better use of funds made by the management.

Liquidity and Capital Resources

During the period, the Company issued 275 000 common shares (1997 : $96,250). The funds raised in 1997 have been used for the working capital and those of 1996 have been used to finance the exploration program for the Quebec, Newfoundland and Northwest Territories Properties and to increase the working capital of the Company. Share issue expenses of $48,000 have been paid in 1996. In addition, the shares issued in 1996 have been used to finance the acquisition of the Newfoundland and Northwest Territories Properties.

As at September 30, 1997, the working capital of the Company was $395,997. These funds are sufficient to complete the exploration work on the Northwest Territories estimated at $75,000. The funds available to the Company as at September 30, 1997 are sufficient to meet its obligations over the next twelve months.

Comparison Between the Year Ended March 31, 1997 and for the Nine-Month Period Ended March 31, 1996

For the year ended March 31, 1997, the Company incurred a net loss of $514,007 ($0.07 per share) compared to a net loss of $294,608 ($0.05 per share) for the period ended March 31, 1996. The increase in net loss is due mainly to the higher volume of activities, the write-off of mining properties as well as to the fact that the 1997 fiscal year represents 12 months, while the 1996 fiscal period represented 9 months.

Liquidity and Capital Resources

During the year ended March 31, 1997, the Company issued 804,560 flow-through common shares (1996 - 1,000,000) for a total consideration of $880,000 (1996 - $200,000). The funds from these financings have been used for the exploration programs for the Quebec, Newfoundland and Northwest Territories Properties. The Company issued 886,325 common shares (1996 - 997,666) for a cash consideration of $870,000 (1996 - $274,299). During the year ended March 31, 1997, the Company issued 435,000 common shares for the acquisition of mining properties for a total consideration of $586,750, 292,600 common shares following the exercise of share purchase options for a total consideration of $58,780 and 45,000 common shares following the exercise of warrants for a total consideration of $15,750. No common shares were issued for the same type of transactions during the nine-month period ended March 31, 1996. In addition, during the nine-month period ended March 31, 1996, 299,750 common shares were issued for a debt settlement in the amount of $59,950.

Comparison Between the Nine-Month Period Ended March 31, 1996 and the Year Ended June 30, 1995.

For the period ended March 31, 1996, the Company incurred a net loss of $294,608 ($0.05 per share) compared to a net loss of $67,732 ($0.03 per share) for the year ended June 30, 1995. The increase in net loss is due principally to the write-off of the deferred exploration costs and mining properties.

Liquidity and Capital Resources

During the period, the Company issued 1,000,000 flow-through common shares (1995 - 879,912) for a total consideration of $200,000 (1995 - $264,000). The funds from these financing have been used for the exploration program for the Adanac property. The Company issued 997,666 common shares (1995 - 166,666) for a cash consideration of $274,299 (1995 - $50,000). In addition, 299,750 common shares were issued for a debt settlement in the amount of $59,950.

DESCRIPTION OF AUTHORIZED CAPITAL

Dianor is authorized to issue an unlimited number of common shares without par value, of which 8,733,689 are issued and outstanding as of October 29, 1997.

The holders of the common shares have the right to one vote per share at meetings of shareholders, are entitled to dividends as and when declared by the Board of Directors of Dianor and to receive the remaining property of Dianor on its dissolution or its voluntary or involuntary winding-up. No pre-emptive rights are attached to the common shares.

CAPITALIZATION

The following table sets forth the capital structure of Dianor.

Description of the Securities	Authorized	At March 31, 1997 (audited) (1)	At September 30, 1997 (unaudited) (2)	At September 30, 1997 assuming the issuance of the Units (unaudited) (1)
Common shares	Unlimited	$3,469,037 (8,458,689 shares)	$3,565,287 (8,733,689 shares)	$● (3) (● shares)

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(1) This table does not take into account (i) the 617,500 common shares which may be issued in consideration for properties; (ii) the 592,593 common shares which may be issued if all the outstanding warrants are exercised; (iii) the 1,200,000 common shares which have been reserved by Dianor for future issuance under options granted by the Board of Directors pursuant to the Stock Option Plan. See "Prior and Future Issuances", and "Options, Rights and Warrants".

(2) Dianor had a deficit of $817,575 as of September 30, 1997.

(3) Without taking into account the expenses of issue of this offering and the Agent's commission.

OPTIONS, RIGHTS AND WARRANTS

Dianor has adopted a stock option plan (the "Stock Option Plan") pursuant to which Dianor may grant options to its employees, directors and officers as well as persons providing ongoing services to Dianor. The maximum number of common shares which may be issued under the Stock Option Plan shall not exceed 2,000,000 common shares. The price and the conditions relating to the exercise of the options are established by the directors pursuant to the policies of the regulatory authorities having jurisdiction over the shares of Dianor. As of October 23, 1997, options to subscribe for a total of 116,000 common shares at a price of $1.15 per share, options to subscribe for a total of 294,000 common shares at a price of $0.90 per share, options to subscribe for a total of 140,000 common shares at a price of $0.55 per share, 100,000 common shares at a price of $0.56 per share and options to subscribe for a total of 550,000 common shares at a price of $0.47 per share (subject to regulatory approval) granted pursuant to the Stock Option Plan are still in force. These 1,200,000 options are valid for a period of 5 years from the date of their grant. See "Executive Compensation".

PRIOR AND FUTURE ISSUANCES

During the last 12 months, Dianor has issued the following common shares of its capital stock:

On January 7, 1997, Dianor issued 150,000 common shares to Société minière Ecudor inc. in consideration for the acquisition of a 100% interest in the Adanac Property.

On February 12, 1997, Dianor issued a total of 434,500 common shares as part of a private offering by way of offering memorandum dated November 14, 1996 of a maximum of 500 Units, each Unit being composed of 695 flow-through common shares at $1.15 per share and 174 common shares at $1.15 per share.

On March 12, 1997, a total of 500,000 common shares were issued at a price of $1.00 per share pursuant to a private placement.

On March 14, 1997, April 3, 1997 and July 25, 1997, Dianor issued a total of 320,000 common shares at a price of $0.35 per share upon the exercise of 320,000 warrants.

On March 25, 1997, a total of 80,000 common shares were issued at a price of $0.20 per share upon the exercise of options granted pursuant to the Stock Option Plan.

A total of 2,185,093 common shares of Dianor are reserved for future issuances, as follows:

- 617,500 shares in consideration for the acquisition of mining properties;
- 592,593 shares to be issued upon the exercise of the 592,593 warrants issued pursuant to private placements;
- 1,200,000 shares to be issued upon the exercise of options granted pursuant to the Stock Option Plan.

SENIOR EXECUTIVES

The following table sets out the names of the senior executives of Dianor, their municipalities of residence, the positions which they hold with Dianor and their principal occupations.

Name and municipality of residence	Position	Principal Occupation
David McDonald Ste. Rose, Laval, Quebec	President and Director	President, Dianor Resources Inc.
Jean Rainville Rawdon, Quebec	Director	Consultant Engineer for mining exploration companies
Rocco Guarnaccia Val d'Or, Quebec	Director	Chiropractician, director of exploration mining companies
Daniel Duval Val d'Or, Quebec	Director	Controller, Agnico - Eagle, La Ronde Division
Michel Rathé Brossard, Quebec	Vice President, Finance and Secretary	President of Sogecap Inc., consulting company
Philippe Giaro Candiac, Quebec	Vice President, Exploration	Vice President, Exploration, Dianor Resources Inc.

Each of the directors has held the principal occupation shown opposite his name, or other executive offices with the same firm or its affiliates, for the last 5 years, except for Mr. Philippe Giaro who, prior to March 1997, was senior geologist for Franc-Or Resources Corporation.

Mr. David McDonald was President, from January 1994 to February 1995, of Ressources Orphée Inc. currently named ITEC-Mineral Inc. ("ITEC"). The shares of ITEC are listed on the Montreal Exchange.

Mr. Jean Rainville was President, from April 1994 to April 1996, of Franc-Or Resources Corporation ("Franc-Or"). Furthermore, he is a director of Birim Goldfields Inc. ("Birim") since September 1994 and a director of Sulliden Exploration Inc. ("Sulliden") since February 1996. The shares of Franc-Or and Birim are listed on The Toronto Stock Exchange. The shares of Sulliden are listed on the Montreal Exchange.

Mr. Rocco Guarnaccia is a director of the following corporations: Nora Exploration Inc. ("Nora"), Canaco Mining Resources Inc. ("Canaco"), Loubel Exploration Inc. ("Loubel") and Dianor. The shares of Nora, Canaco and Loubel are listed on the Montreal Exchange.

Mr. Michel Rathé is an executive officer of Birim since January 1996. Furthermore, he is the Vice President and Secretary and a director of Sulliden. The shares of Birim are listed on The Toronto Stock Exchange. The shares of Sulliden are listed on the Montreal Exchange.

Messrs. David McDonald and Philippe Giaro each devotes 100% of their time to the business of Dianor. Mr. Michel Rathé devotes 40% of his time to the business of Dianor. Each of the other directors and senior executives devotes approximately 5% of their time to the business of Dianor.

EXECUTIVE COMPENSATION

During the financial year ended March 31, 1997, the total remuneration in cash paid to senior executives for services rendered to the Company was $118,900. There was no other remuneration pursuant to plans with the exception of options granted pursuant to the Stock Option Plan. See "Executive Compensation - Remuneration Pursuant to the Stock Option Plan". During the financial year ended March 31, 1997, Dianor did not enter into any employee agreement with an executive officer or a director.

There was no executive officer who was acting as an executive officer at the end of each of the last three financial years whose annual salary and bonus exceeded $100,000 during that period.

Remuneration Pursuant to the Stock Option Plan

Dianor has created the Stock Option Plan in favour of its directors, executive officers and employees as well as persons providing ongoing services to Dianor pursuant to which options for a maximum of 2,000,000 common shares may be granted, of which 1,200,000 are outstanding (including the granting of options to subscribe for a total of 550,000 common shares, which is subject to regulatory approval). The exercise price and terms and conditions of the options are established by the directors in accordance with the policies of the regulatory authorities having jurisdiction over the securities of Dianor. See "Options, Rights and Warrants".

As at March 31, 1997, certain executive officers and directors hold 560,000 options having exercise prices varying from $0.90 to $1.15 per share and expiring between April 20, 2001 and July 4, 2001.

Exercised Options and Balance of Options Granted

The following table sets forth in detail the options exercised by the executive officers and directors during the last financial year ended March 31, 1997. Furthermore, it sets forth in detail the balance of options outstanding as at March 31, 1997.

Name	Securities Acquired on Exercise	Aggregate Value Realized ($)	Unexercised Options as at March 31, 1997		Value of Unexercised Options as at March 31, 1997 ($)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
David McDonald	120,000	$108,000	310,000	Nil	$299,000	Nil
Jean Rainville	80,000	$ 72,000	Nil	Nil	Nil	Nil
Rocco Guarnaccia	Nil	Nil	Nil	Nil	Nil	Nil
Paul Kishka	Nil	Nil	100,000	Nil	$90,000	Nil
Michel Rathé	Nil	Nil	100,000	Nil	$99,000	Nil

INTEREST OF INSIDERS AND OTHER PERSONS IN MATERIAL TRANSACTIONS

No insider of Dianor is or has been interested, directly or indirectly, in material transactions within the three last financial years of Dianor or in any proposed transaction which has materially affected or will materially affect Dianor, except for management fees and administrative costs totalling $94,000 paid during the fiscal year ended March 31, 1997 to Ressources Lutsvisky Inc. (“Lutsvisky”) and Sogecap Inc. (“Sogecap”) and except for consulting fees of $51,305 paid to Lutsvisky during said fiscal year in connection with the management of exploration work. The sole shareholder and director of each of Lutsvisky and Sogecap is, in both cases, an executive officer of Dianor. Management is of the opinion that these transactions were undertaken under the same terms and conditions as transactions with unrelated parties.

PRINCIPAL SHAREHOLDERS

As at the date of this offering, to the knowledge of the senior executives of Dianor, pursuant to the registers of Dianor, no person owns or holds as beneficial owner, directly or indirectly, more than 10% of the issued and outstanding common shares of Dianor.

PRICE RANGE AND TRADING VOLUME OF THE COMMON SHARES

The common shares of Dianor are listed on the Montreal Exchange. The following table sets forth the market price range of the common shares and the number of shares traded on the Montreal Exchange for the calendar periods indicated:

		High	Low	Closing	Volume
1995	4th Quarter	$ 0.25	$ 0.17	$ 0.19	150,922
1996	1st Quarter	$ 0.89	$ 0.20	$ 0.85	2,034,069
	2nd Quarter	$ 1.68	$ 0.85	$ 1.01	1,931,095
	3rd Quarter	$ 1.42	$ 0.80	$ 1.40	754,139
	4th Quarter	$ 1.85	$ 0.95	$ 1.14	1,171,719
1997	1st Quarter	$ 1.50	$ 0.70	$ 0.90	1,456,137
	2nd Quarter	$ 0.90	$ 0.36	$ 0.40	1,408,000
	July	$ 0.51	$ 0.30	$ 0.47	291,400
	August	$ 0.49	$ 0.35	$ 0.485	97,896
	September	$ 0.55	$ 0.35	$ 0.54	297,820
	October (until the 29th) . .	$ 0.84	$ 0.55	$ 0.70	646,488

On October 29, 1997, the closing price of the common shares on the Montreal Exchange was $0.70 per share.

ESCROWED SHARES

Under an agreement entered into on April 12, 1991, between Dianor, S.R.C. St-Michel Roy Conseil Inc. and Montreal Trust Company acting as escrow agent, a total of 52,500 common shares are held in escrow by Montreal Trust Company. This represents 0.6% of the issued and outstanding common shares of Dianor. These shares may not be released, transferred, mortgaged, pledged or otherwise alienated without the prior approval of the Commission des valeurs mobilières du Québec or of any self-regulatory authority.

Under an agreement entered into on ●, 1997 between Dianor, Montreal Trust Company, as escrow agent, and Mr. David McDonald, the latter has agreed to deposit in escrow with Montreal Trust Company ● common shares of the capital stock of Dianor. These shares represent ●% of the issued and outstanding common shares of Dianor. These shares may not be released, transferred, mortgaged, pledged or otherwise alienated without the prior approval of the Ontario Securities Commission.

DETAILS OF THE OFFERING

This offering relates to a maximum offering of $2,500,000 and a minimum offering of $625,000 and includes the issuance of the following securities, which the investor may subscribe for separately;

I- The issuance of a maximum of 2,000 A Units and a minimum of 688 A Units of Dianor at a price of $1,000 per Unit. Each A Unit is comprised of (i) ● Flow-Through Shares of Dianor for a total consideration of $800 and (ii) ● common shares of Dianor for a total consideration of $200.

II- The issuance of a maximum of 500 B Units and a minimum of 188 B Units of Dianor at a price of $1,000 per Unit. Each B Unit is comprised of (i) ● Flow-Through Shares of Dianor for a total consideration of $800 and (ii) ● common shares of Dianor for a total consideration of $200.

The Flow-Through Shares and common shares are issued at a price of ● per share.

The minimum offering of $625,000 may be entirely comprised of A Units or both A Units and B Units.

Flow-Through Shares

Principal-business companies that incur certain mining exploration expenses in Canada are entitled to claim income tax deductions relating to CEE. These deductions may be transferred to investors who subscribe for shares of such companies, provided that the companies incur CEE and renounce the applicable tax deductions to the investors. In general, shares issued in such case are considered as "flow-through shares".

The Flow-Through Shares included in the A Units and B Units issued pursuant to this offering have the same rights and attributes as the common shares and are considered as common shares of the share capital of Dianor.

In accordance with the subscription form attached hereto as Schedule A and subject to the conditions set forth under the heading "Use of Proceeds", Dianor agrees to take all reasonable steps to incur, prior to December 31, 1998, CEE in an amount equal to the proceeds of the subscription of the Flow-Through Shares included in the A Units and B Units offered hereunder and to renounce CEE to the subscribers of Flow-Through Shares included in the A Units and B Units. If all the proceeds from the sale of the Flow-Through Shares included in the A Units and B Units are not used to incur CEE before January 1, 1999 or do not qualify as CEE, Dianor has undertaken to hold harmless and indemnify the subscribers for all taxes, penalties and interest thereon.

Common Shares

See "Description of Authorized Capital" for the description of the common shares.

Issuance of Flow-Through Shares and Common Shares Included in the Units

As soon as possible after each closing date of this offering, Dianor will issue to subscribers of A Units and B Units all shares included in each A Unit and B Unit subscribed. However, if Dianor is unable, for any reason whatsoever, to expend all the proceeds from the sale of the Flow-Through Shares included in the A Units and B Units and, therefore, incur by the end of 1998, CEE eligible to a 175% deduction for Quebec income tax purposes and a 100% deduction for federal income tax purposes in the case of A Units, and incur by the end of 1998, CEE eligible to a 100% deduction for federal and provincial income tax purposes in the case of B Units, the subscribers will be reassessed by the tax authorities to nullify the tax advantages obtained in 1997 with respect to CEE that has not been incurred.

Share certificates evidencing any shares issued shall be delivered to the subscribers as provided below.

Delivery of Share Certificates

Share certificates evidencing the shares included in the A Units and B Units subscribed hereunder shall be delivered to each subscriber of A Units and B Units within thirty days from each closing of this offering.

Certificates evidencing the remaining shares included in the A Units and B Units

Reporting to Subscribers of Units

Dianor shall provide subscribers of A Units and B Units, by no later than March 31, 1998, with the forms required under the *Income Tax Act* (Canada) and the *Taxation Act* (Quebec) with respect to the issuance of the Flow-Through Shares included in the A Units and B Units and to the renunciation of CEE, for the preparation of their income tax returns for 1997.

PLAN OF DISTRIBUTION

Pursuant to an agency agreement (the "Agency Agreement") entered into on ●, 1997 between Dianor and Jones, Gable & Company, Limited (the "Agent"), Dianor has agreed to offer the A Units and the B Units at a price of $1,000 per Unit and the Agent has agreed to use its best efforts to obtain subscriptions for such Units, subject to the terms and conditions of the Agency Agreement. The Agency Agreement stipulates, among other things, that neither A Units nor B Units will be sold to the public unless either A Units or a combination of A Units and B Units are subscribed for an aggregate minimum amount of $625,000, and that a maximum of 2,000 A Units and 500 B Units representing an aggregate maximum amount of $2,500,000 may be subscribed. It also provides that the Agent will receive a commission of $● per A Unit and per B Unit sold. The Agent may form a selling group and may determine the fees payable to its members.

The Agent is not required to purchase nor pay for any A Unit or B Unit. The obligations of the Agent may be terminated upon the occurrence of certain stated events or at the Agent's discretion on the basis of the state of the financial markets.

The proceeds of subscription will be deposited with Montreal Trust Company (the “Depository”) under an agreement (the “Deposit Agreement”) entered into on ●, 1997 between Dianor and the Depository pursuant to which the Depository will keep the proceeds on behalf of the subscribers until either A Units or a combination of A Units and B Units totalling $625,000 have been sold. If the minimum offering is not subscribed for by ●, 1997 or at any later date as agreed upon, but no later than December 31, 1997, all amounts received will be returned to subscribers, without interest or deduction. If the minimum offering is subscribed for by the initial closing date, additional closings may take place at subsequent dates, but no later than December 31, 1997.

DILUTION

Based on Dianor’s balance sheet as at March 31, 1997, the net tangible book value (total tangible assets less total liabilities including deferred taxes)attributable to the common shares was $● per common share (based on the issued and outstanding shares). After giving effect to the issue of common shares included in the Units (after deducting issue expenses), the net tangible book value as at March 31, 1997 will be $● per common share in the case of the maximum offering and $● per common share in the case of the minimum offering.

	Per Common Share	
	Maximum Offering	**Minimum Offering**
Issue Price		
Net tangible book value before distribution		
Increase in net tangible book value attributable to the issuance of the common shares included in the Units		
Net tangible book value after distribution		
Dilution to subscribers		
Percentage of dilution in relation to the price		

DIVIDEND POLICY

Dianor has not declared nor paid a dividend on its outstanding common shares. The payment of dividends is determined by the Board of Directors of Dianor after due consideration of Dianor's financial position at such date.

INCOME TAX CONSIDERATIONS

In the opinion of de Grandpré Chaurette Lévesque, a general partnership of Montreal, counsel for Dianor, and Ménard Mageau Valiquette, g.p., counsel for the Agent, the following is, as of the date hereof, a fair and an adequate summary of the principal income tax consequences under the laws of Canada and the Province of Quebec of acquiring, holding and disposing of Units. These income tax consequences will not be the same for all subscribers but may vary depending on a number of factors, including the province of residence of the subscriber, whether his Units are characterized as capital property, and the amount that his taxable income would be but for his acquisition of Units. The following discussion of the income tax consequences is, therefore, of a general nature only and is not intended to constitute a complete analysis of all the income tax consequences and should not be interpreted as legal or tax advice to any particular subscriber. **Each subscriber should obtain independent advice regarding the income tax consequences under federal and Quebec tax legislation of subscribing for Units, based on such subscriber's own particular circumstances**.

The comments in this section are restricted to the case of a taxpayer who is resident in Canada at all material times for purposes of the Income Tax Act (Canada) (the "Act") and the Taxation Act (Quebec) (the "Quebec Act") and, except where indicated, do not take into account tax laws of other provinces or territories of Canada or of any jurisdiction outside Canada. This summary does not apply to taxpayers which are principal business corporations within the meaning of the Act or development corporations within the meaning of the Quebec Act or whose business includes trading or dealing in rights, licences or privileges, to explore for, drill for or take minerals, petroleum, natural gas or other related hydrocarbons.

This summary is based upon the current provisions of the Act, the Quebec Act, the respective regulations thereunder, all specific proposals to amend the Act, the Quebec Act or the Regulations prior to the date hereof, applicable jurisprudence and counsel's understanding of the current administrative practices of Revenue Canada, Taxation and the Quebec Department of Revenue.

It has been assumed that the amendments proposed will be adopted as proposed and that no further relevant amendments will be implemented. No assurance, however, can be given in this respect.

Canadian Exploration Expense ("CEE")

Provided Dianor qualifies as a principal business corporation under the Act and a development corporation under the Quebec Act, that it incurs CEE in 1997 or 1998 in accordance with the provisions of the subscription form, that it renounces to such CEE in favour of the subscribers in the manner and within the delays provided for under the Act, the CEE so renounced in favour of the subscribers will be deemed to have been incurred by them as of December 31, 1997.

The amount of CEE that a principal business corporation can renounce does not include any CEE that constitutes Canadian exploration and development overhead expenses. Furthermore, the amount of any assistance that the corporation has received, is entitled to receive or may reasonably be expected to receive at any time and that may reasonably be attributable to such CEE must reduce the CEE that can be renounced.

To the extent that Dianor takes the necessary steps to renounce CEE incurred, a subscriber who holds his Flow-Through Shares as of December 31, 1997 shall be entitled to include in his cumulative CEE account (“CCEE”) for 1997, his share of CEE having been renounced in his favour within 90 days of the end of the year with an effective date of December 31, 1997. For the purposes of the Act a taxpayer may deduct in the calculation of his income from all sources for a taxation year, up to 100% of his CCEE. Amounts not deducted in a taxation year can be carried forward to future taxation years.

The pro rata share of a subscriber in renounced CEE cannot exceed the amount that he has paid in money for his shares before the end of the year.

Dianor shall be liable to a special tax corresponding to the balance, calculated as of the end of each month (other than January) of 1998, of funds in respect of the renunciation that have not been spend on CEE at the end of the month, multiplied by an interest rate corresponding to 1/12 of the prescribed rate of interest on refunds of taxes under the Act. In the event Dianor does not incur CEE with the said balance of the funds before the end of the year in which the renunciation is filed, it must reestablish the amount renounced in favour of the subscribers and pay a special tax corresponding to 10% of the unspent amount. In the event the company fails to modify the amount so renounced, it is liable for a penalty corresponding to 25% of the amount renounced and not spend. **In the event the proceeds from the sale of the Flow-Through Shares included in the Units are not used to incur CEE by the end of 1998, subscribers will be reassessed by the tax advantages obtained in 1997 with respect to CEE that has not been incurred.**

Additional Deduction of 25% of Certain CEE Incurred in the Province of Quebec ("QAD")

The Quebec Act provides for an additional deduction of 25% of certain CEE incurred in the Province of Quebec before January 1, 2001 by a qualifying corporation. Subscribers of Class A Units who are individuals in whose favour admissible CEE has been renounced and who reside in the Province of Quebec can claim the QAD against income from all sources.

A qualifying corporation is a corporation whose main activity is exploration for or development of a natural resource, excluding any activity relating to the exploitation of such resource , which is not controlled directly or indirectly by a person exploiting a natural resource and which does not control such a person. Based on its current activities, Dianor qualifies as a qualifying corporation.

Supplementary Deduction of 50% of Certain Surface CEE Incurred in the Province of Quebec ("SSD")

The Quebec Act provides for a supplementary deduction of 50% of certain surface CEE incurred in the Province of Quebec before January 1, 2001 by a qualifying corporation. Subscribers of Class A Units who reside in the Province of Quebec can claim the SSD in addition to the QAD resulting in a total deduction of 175% for Quebec income tax purposes. The rules with respect to the SSD are similar to those governing the QAD except that the CEE qualifying for the SSD are limited to surface work, which consist of expenses eligible for the QAD relating to work preceding the underground exploration stage, with the exception of the clearing of overburden not necessary to obtain indication of mineralization.

Interest Expense on Money Borrowed to Acquire Units

The interest expense incurred by a Subscriber on funds borrowed for the purpose of acquiring Units will generally be deductible in the year that it is paid or payable depending upon the method used to report his income, provided that the Subscriber continues to own throughout the period during which the interest accrues all the Units so acquired with such borrowed funds.

Income Tax Instalments

Subscribers who are employees and have income tax withheld at source from employment income by an employer may file a request with the relevant district office of Revenue Canada, Taxation requesting a reduction in such withholding at source by their employer. The taxation authorities have, however, a discretionary power to grant or deny such request.

Subscribers who are required to pay income tax on an instalment basis may take into account their share of CEE in determining their instalment remittances.

Disposition of Shares

The disposition of the Shares included in the Units may give rise to a capital gain or a capital loss for the Subscriber. The taxable capital gain or the deductible capital loss is equal to three-quarters of the amount by which the proceeds of the disposition are greater or less than the adjusted cost base of the shares disposed of.

The flow through shares included in the Units will have a nominal adjusted cost base. When shares are sold, the adjusted cost base of these shares will be determined by using the average cost of all the shares of Dianor held immediately prior to the sale.

Capital Gains Exemption

For the purposes of the Quebec Act, a subscriber can claim an exemption with respect to the portion of a taxable capital gain occurring on a disposition of flow-through shares. The portion of the gain admissible to such exemption is limited to the excess of the actual cost of the flow-through share on the adjusted cost base of the share and is further limited to 75% of CEE incurred in Quebec that have been renounced by a qualifying corporation in favour of a subscriber and which gave rise to the QAD. It may also be further limited by capital losses.

Alternative Minimum Tax on Individuals

Pursuant to the alternative minimum tax rules, the tax otherwise payable under Part I of the Act by an individual (other than a mutual fund trust) should not be less than a minimum amount computed by reference to his adjusted taxable income for the year.

For this purpose, the "minimum amount" generally means the amount by which 17% (20% for Quebec Income Tax purposes) of adjusted taxable income in excess of $40,000 ($25,000 for Quebec Income Tax purposes) for the year exceeds the total of certain tax credits.

The "adjusted taxable income" of an individual (other than a trust) for a taxation year generally means the amount that would be his taxable income for the year computed on the assumption that:

(i) the full amount of net capital gains and the full amount of various items included in part in income were included in taxable income;

(ii) only the actual amount of taxable dividends received from Canadian corporations was included in income;

(iii) deductions were denied for losses on certain tax-shelter investments arising as a result of resource expenditures, including CEE, capital cost allowance on films and contributions to registered pension and registered retirement savings plans; and

(iv) the only deductions from income in computing taxable income were in respect of the capital gains exemption and certain losses of other years.

The additional tax payable by the individual for the year resulting from the application of the provisions relating to the alternative minimum tax will be deductible in any of the seven immediately following taxation years, in computing the amount that would, but for the alternative minimum tax, be his tax otherwise payable for any such year.

The Quebec minimum tax rate is 20% (23% for taxation years after 1997) and the annual exemption has been reduced to $25,000 for the 1997 and subsequent taxation years. There are some features of the Quebec formula which differ from the federal formula such as the treatment of certain deductions and tax credits.

RISK FACTORS

In addition to the other information in this prospectus, the following factors should be considered carefully in evaluating Dianor and its business.

The securities of Dianor should be considered a speculative investment. The following risk factors should be given special consideration when evaluating an investment in any of Dianor's securities.

Risks associated with mining operations.

Dianor’s operations are subject to all of the risks normally associated with the exploration for, and the operation and development of, mining properties. Mining exploration and development involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to avoid. There is no assurance that commercial quantities of ore will be discovered or extracted, as the case may be, from any of Dianor’s properties. There is also no assurance with respect to properties at the exploration stage, even if commercial quantities of ore are discovered, that the mining properties will be brought into commercial production. Discovering mineral deposits is dependent on a number of factors not the least of which is the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit once discovered is also dependent on a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure as well as metal and mineral prices. Most of the above factors are beyond the control of Dianor.

Dianor's operations are subject to all of the hazards and risks normally associated with exploration, development and production of minerals, any of which could result in damage to life or property, environmental damage and possible legal liability resulting therefrom. Operations may be subject to prolonged disruptions due to weather conditions, labour unrest or other causes. Hazards such as unusual or unexpected formations, pressures, flooding, explosions or other conditions may be encountered.

Dianor may not be able to raise the necessary capital to continue to finance and meet its contractual obligations, and may have to forfeit any interest in any properties or prospects earned or assumed under such contracts. If Dianor's exploration and development programs are successful, additional funds may be required. The only source of future funds presently available to Dianor is through the sale of additional equity capital. There is no assurance Dianor will be successful in raising sufficient funds to meet its obligations. If Dianor does not meet its obligations, it may lose its interest in properties.

The price of precious metals is subject to cyclical fluctuations. The profitability of a particular mining prospect will be affected by such prices, which entails the assessment of many factors, some of which include changing production costs, the supply and demand, the rate of inflation, the number of producing corporations, the political environment and changes in international investment matters. The mining exploration and development industries are intensely competitive and there is no assurance that, even if commercial quantities of ore are discovered, a ready market will exist for the sale of same. Factors beyond control of Dianor may affect the marketability of any metals discovered and the value of Dianor's interests.

Furthermore, the putting into commercial production of a mineral deposit can be subject to several problems that were not or could not have been anticipated during the feasibility study and requires substantial financing that may not be obtainable at acceptable conditions.

Tax Related Risks

There can be no assurance that income tax legislation will not be amended so as to fundamentally alter the tax consequences of holding or disposing of Units or that announced changes to such legislation will be adopted. Government authorities may disagree as to whether certain of the expenditures renounced in connection with the issue of Flow-Through Shares qualify as CEE or with respect to certain tax consequences of an investment in Units of Dianor. Any reassessment resulting from such disagreement may reduce the return on a subscriber's investment in the Units.

If the shares issued to the subscribers do not qualify as Flow-Through Shares within the meaning of the Act, CEE financed cannot be renounced by Dianor and will not be deductible by the subscribers.

The Act and the Quebec Act provide for an alternative minimum tax on individuals, which could limit tax benefits available to the subscribers.

In the event the proceeds from the sale of the Flow-Through Shares included in the Units are not used to incur CEE by the end of 1998, subscribers will be reassessed by the tax authorities to nullify the tax advantages obtained in 1997 with respect to CEE that has not been incurred. See "Income Tax Considerations".

Dilution

The portion of the purchase price of the common shares (being $● per share) exceeds the net tangible book value per common share as at March 31, 1997 by $● representing a dilution factor of ●% in the case of the maximum offering and by $● representing a dilution factor of ●% in the case of the minimum offering.

THE PROMOTER

Mr. David McDonald, President and a director of Dianor, may be considered to be the promoter of Dianor since he reorganized Dianor and managed its business. He will not benefit, either directly or indirectly, from the issuance of the securities offered hereunder, except with respect to the benefits described elsewhere in this prospectus. See the heading "Options, Rights and Warrants".

LEGAL PROCEEDINGS

To the knowledge of the senior executives of Dianor, Dianor is not a party to any legal proceedings.

MATERIAL CONTRACTS

The material contracts concluded by Dianor during the last two years, other than in the ordinary course of business, are the following:

(a) the Agency Agreement entered into with respect to an offering memorandum of Dianor dated November 4,1996;

(b) the Deposit Agreement entered into with respect to an offering memorandum of Dianor dated November 14, 1996;

(c) the Agency Agreement referred to under "Plan of Distribution"; and

(d) the Deposit Agreement referred to under "Plan of Distribution".

Copies of the contracts referred to above, and of the Geological Reports, may be obtained at the head office of Dianor during business hours throughout the period of distribution of the Units offered hereunder.

LEGAL MATTERS

Legal matters in connection with this offering will be passed upon on behalf of Dianor by de Grandpré Chaurette Lévesque, a general partnership and on behalf of the Agent by Ménard Mageau Valiquette, g.p.

AUDITORS, REGISTRAR, TRANSFER AGENT AND TRUSTEE

The auditors of Dianor are Labrecque, Béland, general partnership of Chartered Accountants, 941, Montée Masson, Lachenaie, Quebec, J6W 2E1. The transfer agent and registrar for the common shares of Dianor is Montreal Trust Company at its principal offices in Montreal, Quebec. Montreal Trust Company will also act as trustee for the funds derived from the offering of Units. See "Plan of Distribution".

PURCHASER'S STATUTORY RIGHTS

Securities legislation in several of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus or any amendment. In several of the provinces, applicable securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus or any amendment thereto contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of his province. The purchaser should refer to any applicable provisions of the securities legislation of his province for the particulars of these rights or consult with a legal adviser.

AUDITORS' REPORTS

To the Directors of
DIANOR RESOURCES INC.
(formerly Kimex Resources Inc.)

We have audited the balance sheet of **DIANOR RESOURCES INC. (formerly Kimex Resources Inc.)** as at June 30, 1993 and the statements of deferred exploration expenses, earnings and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test bases, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at June 30, 1993 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

General Partnership
Chartered Accountant

Rouyn-Noranda,
August 31, 1993

To the Directors of
Dianor Resources Inc.

We have audited the balance sheets of Dianor Resources Inc. as at March 31, 1997 and 1996 and the statements of deferred exploration costs, operations and deficit and changes in financial position for the year ended March 31, 1997, for the nine-month period ended March 31, 1996 and for each of the years ended June 30, 1995 and 1994. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 1997 and 1996 and the results of its operations and the changes in its financial position for the year ended March 31, 1997, for the nine-month period ended March 31, 1996 and for each of the years ended June 30, 1995 and 1994 in accordance with generally accepted accounting principles.

Lachenaie, Quebec

Labrecque, Béland
General Partnership of
Chartered Accountants

April 22, 1997
(Except note 9 dated October 30, 1997)

FINANCIAL STATEMENTS

Dianor Resources Inc.

Statements of Deferred Exploration Costs

	Six-month periods ended September 30		Year ended March 31	Nine-month period ended March 31	Years ended June 30		
	1997	1996	1997	1996	1995	1994	1993
	(unaudited)			(in dollars)			
Exploration costs							
Consultants and subcontractors	84,651	255,701	810,082	115,044	99,001	153,352	118,732
Salaries and employee benefits	-	-	-	33,875	84,638	203,708	106,368
Travelling expenses	-	-	-	-	1,566	3,690	-
General exploration expenses	-	-	-	6,578	6,202	5,867	1,209
Rental of equipment and rolling stock	-	-	-	4,520	24,071	20,847	10,158
	84,651	255,701	810,082	160,017	215,478	387,464	236,467
Others							
Deferred exploration costs written off following abandonment of mining properties and others	-	-	(167,528)	(137,379)	(16,244)	(923,363)	(132,977)
Proceeds on an option on a mining property	-	-	(7,500)	(7,500)	-	-	-
Recovered mining rights	-	-	-	-	-	(3,384)	-
	-	-	(175,028)	(144,879)	(16,244)	(926,747)	(132,977)
Increase (decrease) in deferred exploration costs	84,651	255,701	635,054	15,138	199,234	(539,283)	103,490
Balance at beginning of period	1,393,815	758,761	758,761	743,623	544,389	1,083,672	980,182
Balance at end of period	1,478,466	1,014,462	1,393,815	758,761	743,623	544,389	1,083,672

See accompanying notes

Dianor Resources Inc.

Balance Sheets

	September 30 1997 (unaudited)	September 30 1996 (unaudited)	March 31 1997	March 31 1996
Assets				
Current assets				
Cash	$ 336,781	$ 535,497	$ 480,321	$ 148,114
Advances to a related corporation for exploration costs	57,880	-	131,659	-
Accounts receivable	26,336	8,399	41,890	33,780
Due from a director	-	-	-	7,000
	420,997	543,896	653,870	188,894
Mining properties (Note 3)	873,249	584,124	859,345	140,324
Deferred exploration costs (Note 4)	1,478,466	1,014,462	1,393,815	758,761
	$ 2,772,712	$ 2,142,482	$ 2,907,030	$ 1,087,979
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	$ 25,000	$ 144,577	$ 45,000	$ 30,222
Shareholders′ Equity				
Share capital (Note 5)	3,565,287	2,272,287	3,469,037	4,363,962
Deficit	(817,575)	(274,382)	(607,007)	(3,306,205)
	2,747,712	1,997,905	2,862,030	1,057,757
	$ 2,772,712	$ 2,142,482	$ 2,907,030	$ 1,087,979

See accompanying notes

On behalf of the Board (signed) David McDonald, Director (signed) Jean Rainville, Director

Dianor Resources Inc.

Statements of Operations and Deficit

	Six-month periods ended September 30		Year ended March 31	Nine-month period ended March 31	Years ended June 30		
	1997	1996	1997	1996	1995	1994	1993
	(unaudited)			(in dollars)			
Administrative costs and others							
Salaries and consulting fees	-	-	-	-	15,487	14,110	52,798
Professional fees	24,284	40,039	114,845	24,113	21,002	68,883	28,516
Management fees	69,500	72,000	102,000	10,000	19,022	42,000	-
General expenses	42,454	66,860	100,847	11,783	20,453	18,227	30,161
Travel and entertainment	61,564	38,880	69,976	10,359	11,035	25,075	4,219
Information to shareholders	12,766	8,603	37,839	14,474	19,302	26,968	15,677
Write-off of mining properties	-	-	88,500	86,500	11,000	40,150	-
Write-off of deferred exploration costs following the abandonment of mining properties	-	-	-	137,379	16,244	923,363	132,977
Proceeds on settlement of debts	-	-	-	-	(65,813)	(22,815)	-
Net loss for the period	210,568	226,382	514,007	294,608	67,732	1,135,961	264,348
Deficit at beginning of period	607,007	3,306,205	3,306,205	2,991,597	2,897,465	1,761,504	1,497,156
Reduction of share capital (Note 5)	-	(3,306,205)	(3,306,205)	-	-	-	-
Share issue expenses	-	48,000	93,000	20,000	-	-	-
Deficit at end of period	817,575	274,382	607,007	3,306,205	2,965,197	2,897,465	1,761,504
Loss per share	0.02	0.03	0.07	0.05	0.03	0.48	0.22

See accompanying notes

Dianor Resources Inc.

Statements of Changes in Financial Position

	Six-month periods ended September 30		Year ended March 31	Nine-month period ended March 31	Years ended June 30		
	1997	1996	1997	1996	1995	1994	1993
	(unaudited)			(in dollars)			
Operating activities							
Net loss for the period	(210,568)	(226,382)	(514,007)	(294,608)	(67,732)	(1,135,961)	(264,348)
Items not affecting cash							
Write-off of mining properties	-	-	88,500	86,500	11,000	40,150	-
Write-off of deferred exploration costs following the abandonment of mining properties	-	-	-	137,379	16,837	923,363	132,977
	(210,568)	(226,382)	(425,507)	(70,729)	(39,895)	(172,448)	(131,371)
Net change in non-cash items	69,333	146,736	(117,991)	(144,515)	(31,607)	(176,203)	129,091
Cash used for operating activities	(141,235)	(79,646)	(543,498)	(215,244)	(71,502)	(348,651)	(2,280)
Investing activities							
Additions to mining properties	(13,904)	(443,800)	(807,521)	-	(1,000)	(128,500)	(54,120)
Net increase in deferred exploration costs	(84,651)	(255,701)	(635,054)	(152,517)	(216,071)	(387,464)	(236,467)
Proceeds from disposal of options on a mining property	-	-	-	-		43,296	-
Recovered mining rights	-	-	-	-	-	3,384	-
Cash used for investing activities	(98,555)	(699,501)	(1,442,575)	(152,517)	(217,071)	(469,284)	(290,587)
Financing activities							
Issue of share capital	96,250	1,214,530	2,411,280	534,249	314,000	762,259	300,000
Share issue expenses	-	(48,000)	(93,000)	(20,000)	(26,400)	(37,500)	-
Share capital to be issued	-	-	-	-	-	87,500	-
Reimbursement of debt to directors	-	-	-	-	-	-	(1,338)
Cash generated from financing activities	96,250	1,166,530	2,318,280	514,249	287,600	812,259	298,662
Net change in cash during the period	(143,540)	387,383	332,207	146,488	(973)	(5,676)	5,795
Cash at beginning of period	480,321	148,114	148,114	1,626	2,599	8,275	2,480
Cash at end of period	336,781	535,497	480,321	148,114	1,626	2,599	8,275

Dianor Resources Inc.

Notes to Financial Statements

1 Incorporation and nature of operations

The company, incorporated under Part 1A of the Quebec Companies Act, is in the process of exploring mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The recoverability of amounts shown for mineral properties and related deferred exploration expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the company to obtain the financing necessary to complete the development, and future profitable production or proceeds from the disposition thereof.

2 Summary of significant accounting policies

Mining properties and deferred exploration costs
The mining properties are recorded at cost. Exploration and development costs, reduced by related mining contributions received, are deferred. When a decision is made to go into production, the costs related to the deposit recorded in mining properties and deferred exploration costs are transferred to capital assets. These costs will then be amortized based on the units of production of the year and the probable and proved ore reserves. When a project is abandoned, the related costs are charged to operations.

Loss per share
Loss per share has been calculated using the weighted average number of outstanding shares during the year.

3 Mining properties

	% held	Balance at September 30, 1996	Balance at September 30, 1997	Balance at March 31, 1996	Acquisition	Abandonment and others	Balance at March 31, 1997
		(unaudited)					
Adanac Est	-	$ 88,500	$ -	$ 88,500	$ -	$ (88,500)	$ -
Adanac	100	40,000	381,699	40,000	334,441	-	374,441
Bryson-Lynch	20	10,824	10,824	10,824	-	-	10,824
Granada West	-	1,000	-	1,000	-	(1,000)	-
Blondeau	100	18,050	19,535	-	18,050	-	18,050
Malartic	100	-	11,242	-	10,000	-	10,000
Sept-Iles	100	-	10,753	-	10,000	-	10,000
Sister Pond	50	72,500	72,500	-	72,500	-	72,500
Split Ponds	50	36,250	36,250	-	36,250	-	36,250
Northwest Territories	100	317,000	317,050	-	317,000	-	317,000
Peru	100	-	13,396	-	10,280	-	10,280
		$ 584,124	$ 873,249	$ 140,324	$ 808,521	$ (89,500)	$ 859,345

Royalties will be paid on commercial operations of certain properties.

4. Deferred exploration costs

	Balance at March 31, 1996	Changes for the six-month period ended September 30, 1996 (unaudited)	Balance at September 30, 1996	Balance at March 31, 1997	Changes for the six-month period ended September 30, 1997 (unaudited)	Balance at September 30, 1997
Adanac	$ 582,482	$ 6,713	$ 589,195	$ 871,225	$ 6,789	$ 878,014
Granada West	175,028	-	175,028	-	-	-
Bryson-Lynch	1,251	-	1,251	1,251	-	1,251
Blondeau	-	179,298	179,298	184,798	-	184,798
Malartic	-	-	-	-	477	477
Sept-Iles	-	-	-	-	1,737	1,737
Sister Pond	-	2,750	2,750	203,617	18,616	222,233
Split Ponds	-	2,750	2,750	15,613	4,037	19,650
Northwest Territories	-	64,190	64,190	93,061	51,872	144,933
Peru	-	-	-	24,250	1,123	25,373
	$ 758,761	$ 255,701	$ 1,014,462	$ 1,393,815	$ 84,651	$ 1,478,466

	Balance at March 31, 1996	Exploration costs	Abandonment and others	Balance at March 31, 1997
Adanac	$ 582,482	$ 288,743	$ -	$ 871,225
Granada West	175,028	-	(175,028)	-
Bryson-Lynch	1,251	-	-	1,251
Blondeau	-	184,798	-	184,798
Malartic	-	-	-	-
Sept-Iles	-	-	-	-
Sister Pond	-	203,617	-	203,617
Split Ponds	-	15,613	-	15,613
Northwest Territories	-	93,061	-	93,061
Peru	-	24,250	-	24,250
	$ 758,761	$ 810,082	$ (175,028)	$ 1,393,815

5. Share capital

Authorized

An unlimited number of voting common shares, without nominal value

Issued

	Six-month periods ended September 30			
	1997		1996	
	Number of shares	Amount $	Number of shares	Amount $
		(unaudited)		
Balance at beginning of period	8,458,689	3,469,037	5,995,204	4,363,962
Reduction of share capital	-	-	-	(3,306,205)
Issued for Canadian exploration expenses	-	-	571,200	600,000
Issued and paid in cash	-	-	185,185	150,000
Issued for the acquisition of mining properties	-	-	285,000	421,750
Issued on exercise of options	-	-	212,600	42,780
Issued on exercise of warrants	275,000	96,250	-	-
Issued upon debt settlement	-	-	-	-
Balance at end of period	8,733,689	3,565,287	7,249,189	2,272,287

	Years ended March 31			
	1997		1996	
	Number of shares	Amount $	Number of shares	Amount $
Balance at beginning of year	5,995,204	4,363,962	3,697,788	3,829,713
Reduction of share capital	-	(3,306,205)	-	-
Issued for Canadian exploration expenses	804,560	880,000	1,000,000	200,000
Issued and paid in cash	886,325	870,000	997,666	274,299
Issued for the acquisition of mining properties	435,000	586,750	-	-
Issued on exercise of options	292,600	58,780	-	-
Issued on exercise of warrants	45,000	15,750	-	-
Issued upon debt settlement	-	-	299,750	59,950
Balance at end of year	8,458,689	3,469,037	5,995,204	4,363,962

5. Share capital (cont'd)

Reduction of share capital
At the annual and special Shareholders' meeting held on June 26, 1996, the shareholders of the company approved the reduction of the stated capital relating to the common shares of the company as at March 31, 1996 by $3,306,205.

Common share purchase options
As at March 31, 1997, certain directors and officers of the company hold 560,000 common share purchase options which can be exercised at prices varying from $0.90 to $1.15 per share, expiring between April 20, 2001 and July 04, 2001.

Warrants
Under agreements entered into with private investors, the company has issued 1,092,593 warrants entitling the holders to purchase 1,092,593 shares at prices ranging from $0.35 to $1.69 per share, expiring between July 26, 1997 and February 6, 1998.

6. Income taxes

As at March 31, 1997, the cost for income tax purposes of the mining assets totalled approximately $1,723,000. The difference between this cost and the amount capitalized in the financial statements arises because the tax benefits related to some exploration expenses were renounced to subscribers and some mining assets were completely written off for accounting purposes.

The company has accumulated non-capital losses for income tax purposes amounting to approximately $964,000. This loss will expire between 1998 et 2004.

The unamortized balance for tax purposes of share issue expenses amounting to approximately $95,000 will be deductible over the next four years.

The potential tax effects of these items are not reflected in the financial statements.

7. Related party transactions

During the year, the company concluded with directors or with companies whose directors are also directors of the company the following transactions:

	Six-month periods ended September 30		**Years ended March 31**	
	1997	**1996**	**1997**	**1996**
	(unaudited)			
Administrative costs				
Management fees and administrative costs	$ 65,000	$ 64,000	$ 94,000	$ 10,000
Professional fees	$ 20,000	$ 21,220	$ 31,920	$ -
General expenses	$ 8,400	$ 6,600	$ 13,800	$ -
Exploration costs				
Consulting fees	$ -	$ -	$ 51,305	$ 74,345

Management is of the opinion that these transactions were undertaken under the same terms and conditions as transactions with non-related parties.

8. Commitments

(a) Option agreement with Noveder Inc.

Pursuant to two agreements dated on April 4, 1996, the company obtained from Noveder Inc. the option to acquire an undivided interest of 50% in the mining claims located in the Province of Newfoundland.

The first agreement concerns the property "**Sister Pond**". Pursuant to this agreement the company obtained from Noveder the option to acquire an undivided interest of 50% in 15 mining claims on the Sister Pond property. To acquire this interest, the company shall pay to Noveder an amount of $40,000 and shall issue 225,000 common shares to Noveder over a period of three years as follows: 50,000 common shares and $5,000 cash at the signature of the agreement, 75,000 common shares and $10,000 cash as at March 1, 1998 and 100,000 common shares and $25,000 cash as at March 1, 1999. The company shall incur an amount of $450,000 for the exploration work on this property over a period of three years. In addition, 150,000 common purchase share options were granted to Noveder Inc. at a price of $1.69 per share expiring on October 3,1997.

8. Commitments (cont'd)

The second agreement concerns the property "**Split Ponds**". Pursuant to this agreement, the company obtained from Noveder an undivided interest of 50% in nine mining claims on the Split Ponds property. To acquire this interest, the company shall pay to Noveder an amount of $20,000 and shall issue 112,500 common shares to Noveder over a period of three years as follows: 25,000 common shares and $2,500 cash at the signature of the agreement, 37,500 common shares and $5,000 as at March 1, 1998 and 50,000 common shares and $12,500 cash as at March 1, 1999. The company shall incur a total amount of $225,000 for the exploration work on this property over a period of three years. In addition, 75,000 common share purchase options were granted to Noveder at a price of $1.69 per share expiring on October 3, 1997.

(b) Option agreement with Les Explorations Carat Inc.

Pursuant to an agreement dated April 8, 1996, the company obtained from Les Explorations Carat Inc. ("Carat") the option to acquire interests over a period of four years of up to 100% in 50 mining claims located at Belleterre in the Township of Blondeau, in the area of Abitibi-Temiscamingue, Province of Quebec. To acquire this interest, the company shall pay to Carat an amount of $45,000 over a period of four years, of which $5,000 was paid thirty days following the signature of the agreement. The company shall also issue 40,000 common shares in favour of Carat over a period of four years as follows: 10,000 shares at the signature of this agreement, 10,000 shares before or on the second anniversary of the agreement, 10,000 shares before or on the third anniversary of the agreement and 10,000 shares before or on the fourth anniversary of the agreement. In addition, the company, must incur $145,000 for the exploration work on the property on or before the second anniversary of the date of the agreement.

(c) Purchase option for the Malartic property

Pursuant to an agreement dated March 20, 1997, the company acquired from a third party a 100% interest in the mining claims of the **"Malartic"** property. To acquire this interest, the company has paid $10,000 and will issue 100,000 common shares before June 20, 1997.

(d) Purchase option for the Sept-Iles property

Pursuant to an agreement dated March 20, 1997, the company acquired from a third party a 100% interest in the mining claims of the **"Sept-Iles"** property. To acquire this interest, the company has paid $10,000 and will issue 75,000 common shares before May 20, 1997.

(e) Purchase option of the Peru property

Pursuant to an agreement dated January 13, 1997, the company acquired a 1,300 hectare mining property in the Province of Huaraz in Peru. The company has paid $10,280 and will issue 150,000 common shares.

9. Subsequent events (cont'd)

(a) On October 30, 1997, the company filed a prospectus for a distribution of a maximum of 2,500 Units A and B at a price of $1,000 per unit for a total amount of $2,500,000. The proceeds of this issue will be utilized to finance the exploration work on the properties located in Quebec and Newfoundland and to improve the working capital of the company.

(b) During the period ended September 30, 1997, the Company granted 790,000 options at prices ranging from $0.47 to $0.56, of which 550,000 are subject to the regulatory approval. In addition, during the period, 150,000 options have been cancelled.

(c) During the period ended September 30, 1997, the company issued 275,000 common shares upon the exercise of warrants for a total amount of $96,250. In addition, 225,000 warrants at $1,69 expired on October 3, 1997.

CERTIFICATES OF DIANOR AND THE PROMOTER

Dated October 30, 1997

This prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed, within the meaning of the *Securities Act* (Quebec) and the regulations thereunder. The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part XV of the *Securities Act* (Ontario) and the regulations thereunder.

DIANOR RESOURCES INC.

(Signed)	David McDonald President	(Signed)	Michel Rathé Vice President, Finance

On behalf of the Board of Directors

(Signed)	Daniel Duval Director	(Signed)	Rocco Guarnaccia Director

PROMOTER

(Signed) David McDonald

CERTIFICATE OF THE AGENT

Dated October 30, 1997

To the best of our knowledge, this prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed, within the meaning of *Securities Act* (Quebec) and the regulations thereunder. The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part XV of the *Securities Act* (Ontario) and the regulations thereunder.

JONES, GABLE & COMPANY, LIMITED

Per: (signed) William Stanimir,
Vice President and Director

SCHEDULE A

SUBSCRIPTION FORM

DIANOR RESOURCES INC.

The undersigned hereby subscribes for _______ A Units and/or ______ B Units of Dianor Resources Inc. (the "Company") for an aggregate subscription price of $________, representing $________ for the A Units of the Company and/or $______ for the B Units of the Company ($1,000 per A or B Unit), the minimum subscription being five A Units or five B Units, as described in the final prospectus of the Company dated ●, 1997 (the "Prospectus"), which the undersigned hereby acknowledges having received. Each A Unit is comprised of (i) ● flow-through common shares (the "Flow-Through Shares") of the Company for a total consideration of $800, and (ii) ● common shares of the Company for a total consideration of $200. Each B Unit is comprised of (i) ● Flow-Through Shares for a total consideration of $800 and (ii) ● common shares of the Company for a total consideration of $200. The Flow-Through Shares and common shares shall be issued at a price of $● per share. This subscription form and a cheque representing the total subscription price, made to the order of Montreal Trust Company, must be forwarded to the Agent, or to any broker appointed by the Agent, for deposit with Montreal Trust Company until the initial closing date of the distribution of the Units offered under the Prospectus.

The undersigned acknowledges that this subscription for A Units and/or B Units is subject to the conditions set forth in the Prospectus.

In addition, but without limiting the generality of the foregoing, by accepting this subscription for A Units and/or B Units, the Company hereby undertakes:

(i) to take all reasonable steps to incur, prior to December 31, 1998, Canadian Exploration Expenses ("CEE") qualifying for a 175% deduction for Quebec income tax purposes and a 100% deduction for federal income tax purposes, which expenses will equal the proceeds of the subscription of the Flow-Through Shares included in the A Units;

(ii) to take all reasonable steps to incur, prior to December 31, 1998, CEE qualifying for a 100% deduction for federal and provincial income tax purposes, which expenses will equal the proceeds of the subscription of the Flow-Through Shares included in the B Units;

(iii) to renounce, in favour of subscribers of Flow-Through Shares included in the A Units and B Units, such CEE incurred by the Company less any Canadian exploration and development overhead expenses incurred by the Company and any assistance the Company has received, is entitled to receive or may reasonably expect to receive at a given date that can be related to the CEE incurred or to exploration activities undertaken in Canada, in order that such renunciation not be subject to an adjustment under Subsection 66(12.73) of the *Income Tax Act* (Canada). The effective date of these renunciations must be no later than December 31, 1997;

(iv) to effect the corresponding actions to those described in paragraph (iii) with respect to the *Taxation Act* (Quebec);

(v) to issue to the undersigned subscriber ● Flow-Through Shares of the Company for a total consideration of $800, as well as ● common shares of the Company for a total consideration of $200 per A Unit or B Unit subscribed for;

(vi) to deliver to the undersigned subscriber, within thirty (30) days from each closing of the offering, a share certificate representing the shares included in each A Unit and each B Unit subscribed for;

(vii) if all the proceeds from the sale of the Flow-Through Shares included in the A Units and B Units are not used to incur CEE before January 1, 1999 or do not qualify as CEE, to hold harmless and indemnify the undersigned subscriber for all taxes, penalties and interest thereon; and

(viii) to forward to the undersigned subscriber, prior to March 31, 1998, a statement indicating the amount of CEE renounced in his favour.

By signing this subscription form, the undersigned represents and warrants that:

(a) if an individual, he has attained the age of majority and has the legal capacity and the right to sign this subscription form;

(b) if a corporation, it has the legal capacity and the right to sign this subscription form and to take all actions required pursuant hereto, and that all necessary approvals of its directors, shareholders and members have been obtained in order to sign this subscription form; and

(c) he deals at arm's length with the Company.

SIGNED THIS ___ DAY OF _______________, 1997.

(Witness)	(Signature)
(Name of Securities Dealer)	(Name of Subscriber)
	(Social Insurance Number)
(Name of Registered Representative)	(Residential Address)
(Business Address of the Representative)	(City, Province and Postal Code)
(City and Province)	(Mailing Address if different from Residential Address)
	(City and Province)
	Telephone Number: Residence Office

Acceptance

This subscription is accepted by the Company, in Montreal, Province of Quebec, on the ____ day of _____________, 1997.

DIANOR RESOURCES INC.

Per: ______________________________
Authorized signature