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DALMATIAN RESOURCES LTD.

[DTN-V] 6,888,642 SHS.

TAY PROJECT PROGRESS REPORT - Frank Milakovich, president.

Dalmatian Resources Ltd., reports further exploration results for its 100% owned Tay gold property 37 km northwest of Port Alberni, Vancouver Island, BC. SEE MAP OVERLEAF P.2. During spring/summer 1997 exploration of grid preparation, geological mapping, soil sampling, prospecting and ground geophysical surveys were completed on several targets. About seven line-km of grid and induced polarization and resistivity surveys were completed on two separate targets known as G-1 and E-1, the two highest priority targets.

The G-1 target area, previously explored in 1988 and 1991, is defined by anomalous gold and arsenic soil geochemistry, a strong very low frequency electromagnetic anomaly, and favourable northwest trending fault structures with Kanmutsen Group basaltic rocks. Limited drilling in 1991 defined gold-bearing quartz-carbonate stockwork mineralization. In 1996, an airborne geophysical survey by Aerodat Inc. defined coinciding resistivity low anomalies and resistivity high anomalies.

The 1997 IP and resistivity surveys were completed by Geotronics Surveys which defined 10 chargeability anomalies; the largest anomaly occurs within the centre of the grid and has a minimum strike length of 450 metres and is open to the southwest. This anomaly has, in part, correlating resistivity highs and lows.

A second chargeability anomaly occurs to the northwest of the larger anomaly above and is +200 metres in length; it correlates with a resistivity high indicating possible silification and/or a more resistive rock type.

There are three additional chargeability anomalies of at least 200 metres in length which for the most part correlate with resistivity highs. The E-1 target was defined as an airborne electromagnetic anomaly by Aerodat in 1996 and is about 1.5 km southeast of the G-1 target. The anomalous zone is about 400 metres long in a west-northwest direction and up to 150 metres wide.

The Geotronic IP and resistivity surveys defined these chargeability anomalies. Two zones occur on the northwest and southwest parts of the grid and both correlate with resistivity highs and have strike lengths of 300 m. A third chargeability anomaly is at the west edge of the grid associated with a resistivity high.

In light of the favourable geophysical results indicating possible sulphide mineralization associated with zones of silification and gold mineralization, a drilling program totalling 1,550 metres over 12 drill holes to test the different IP anomalies has been prepared by Burgoyne Geological Inc.

Dalmatian also plans to drill 1,000 m in two holes in a zone of quartz veining near Highway 4, known as the G-3 target area, and possibly the previously defined Apex Vein. Diamond drilling by H. Allen Diamond Drilling began Sept.12 on the G-3 target area. (SEE GCNL NO.151, 7Aug97, P.3 FOR PREVIOUS TAY PROJECT INFORMATION)

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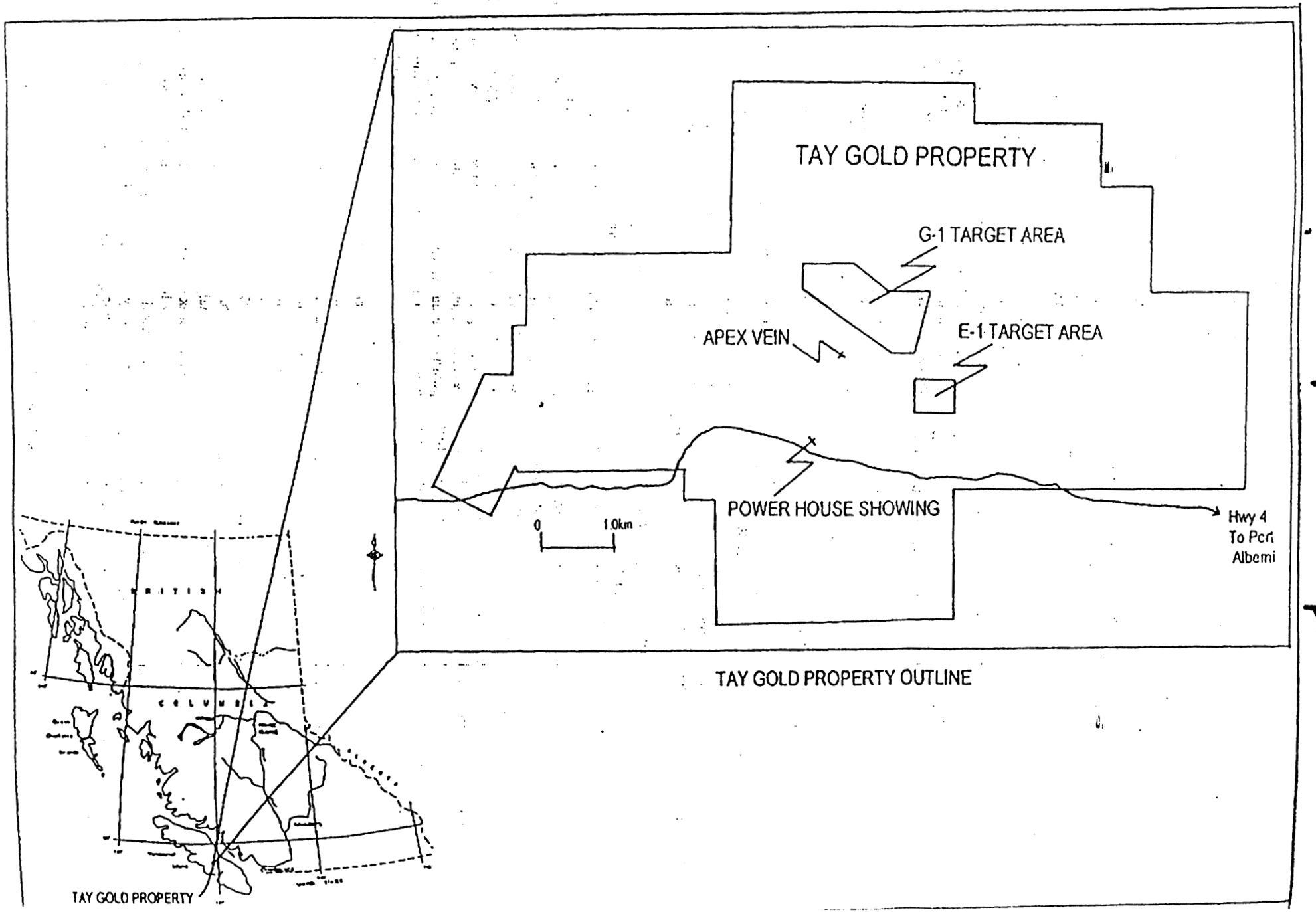
DALMATIAN RESOURCE LTD.

TAY GOLD PROJECT
VANCOUVER ISLAND, BC



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